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Former Korean Leader Admits Hiding Millions Roh Apologizes as Investigators Close In on Secret Bank Accounts

By Kevin Sullivan
Washington Post Service

TOKYO — A former South Korean president, Roh Tae Woo, publicly apologized Friday for keeping a secret political fund of at least \$667 million that he raised and controlled during his presidency.

"I candidly offer my heartfelt apology to the people," said Mr. Roh, who faces possible criminal charges in a government investigation into the huge fund he said he raised from corporations during his 1988 to 1993 term in office.

He said about \$227 million (\$1.88 billion) of it is still in bank accounts under false names. The rest had been spent on the activities of the governing Democratic Liberal Party or had been given to "people who work for the country," he said in a nationally televised apology. "I am totally responsible for all this and prepared to receive any judgment or punishment."

President Kim Young Sam and Kim Dae Jung, a prominent opposition party leader and possible candidate in the 1997 presidential election, also found themselves embroiled in the scandal Friday.

Kim Dae Jung said that Mr. Roh gave

him \$2.6 million from the fund during the 1992 election, in which he was defeated by Kim Young Sam.

He said he did not see anything wrong with accepting money from Mr. Roh's fund. And he claimed that Kim Young Sam had received "hundreds of billions" of Korean won from Mr. Roh's fund during the same campaign.

Kim Young Sam, who is visiting Honolulu on the final leg of a U.S. trip, said he would continue to press for a full investigation into the matter, but he made no comment on the allegations that he had received money from the fund.

"I issued orders twice to make sure that the investigation is thorough and there should be no sanctuary," the president said. "The government's handling of the case will prove its morality."

President Kim and Mr. Roh are close allies and are both members of the Democratic Liberal Party.

The vast sums of money involved in the scandal have infuriated South Koreans, who have suffered through political corruption and abuses of power for years. Although South Korea is a thriving and prosperous economic power, its politics

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Rob Tae Woo giving his apology on Friday and saying he was "prepared to receive any judgment or punishment."

Japan Cites Merrill for Violations In Trading

Analysts Say It May Be Retaliatory Action for U.S. Probe of Daiwa

Compiled by Our Staff From Dispatches

TOKYO — In its first such move against a foreign securities firm, Japan's securities industry watchdog recommended Friday that Merrill Lynch & Co.'s Tokyo branch be punished for "serious" stock-trading violations over a period of six years.

A Merrill Lynch official in Japan said the securities firm admitted to technical violations from 1989 to this year and that they resulted from lax supervision of the branch. But in a statement Friday from its New York headquarters, Merrill defended its trading activities as in line with rules of the Tokyo Stock Exchange and "accepted international practices."

The first-ever action by Japan's watchdog agency signaled a possible escalation of tensions between Japan and the United States over chronic trading violations by financial firms operating in each other's backyard.

It comes less than a month after the U.S. Federal Reserve issued harsh sanctions against Japan's Daiwa Bank Ltd. for failing

To Tokyo makes a rare public statement of distrust in the United States. Page 3.

to disclose immediately violations at its New York branch to U.S. authorities. Daiwa has acknowledged that a New York bond trader concealed losses from unauthorized trades over a period of 12 years.

Some analysts view the action by Japan's regulators as striking back for U.S. probes of Daiwa. "It may be some sort of retaliatory reaction," said John Keefe, an independent securities analyst in New York.

Friday was the first time Japan's Securities and Exchange Surveillance Commission, a Finance Ministry arm formed in 1992, has recommended punishing a foreign securities company in Japan.

Merrill Lynch is the largest U.S. brokerage and investment bank and a major player on the Tokyo Stock Exchange.

The commission called the violations "quite serious," but said any punishment would likely be mild, such as a short suspension of stock trading operations at the Tokyo branch.

The commission did not accuse Merrill Lynch of attempting to manipulate financial markets or prices.

The commission informed Finance Minister Masayoshi Takemura of the violations and suggested he take measures against the company. Merrill Lynch will accept punishment, providing it is reasonable, and has taken steps to make sure such violations do not reoccur, said senior counsel Masahito Amano.

In a suggestion the firm may argue against strict measures, Merrill said from New York that it "looks forward to discussing this matter with the Ministry of Finance and resolving it in a mutually acceptable fashion."

The improper trades involve purchases by Merrill Lynch for its own account of stock and convertible bonds that it also was underwriting at the time. An underwriter buys a new issue of a security from a company and assumes the risk of selling it to the public.

Japan prohibits such purchases by underwriters before the stock is offered on the open market. (AP, Bloomberg)

Doubts Abound as Report Depicts a Roaring U.S. Economy

By Lawrence Malkin
International Herald Tribune

WASHINGTON — The U.S. economy grew at a surprisingly robust 4.2 percent rate in the most recent quarter, the government reported Friday, with one measure of inflation at its lowest level in 32 years.

But many economists said that the figures seemed misleading and that the economy probably did not rebound as sharply as the data indicated.

Wall Street nevertheless reckoned the figures were strong enough to prevent the Federal Reserve from lowering interest rates soon. The conclusion came even though the report also disclosed a large jump in federal spending that could only be temporary and a widening gulf between the

Dow Jones	Trib Index
Up 37.93	Down 0.99%
4741.75	122.48
The Dollar	Fr. close
New York DM 1.4085	previous close 1.3905
Pound 1.578	1.5836
Yen 101.80	101.37
FF 4.8625	4.8983

buying patterns of rich and poor, hinting that the pace of growth could not be sustained.

"Without a healthy consumer, growth can't continue," said Cynthia Latta, an economist for DRI-McGraw Hill.

She and David Kelly, a Lehman Brothers economist, pointed to the slowdown in the growth of consumer spending from 3.4 percent in the second quarter to 2.9 percent in the third. Ms. Latta discerned a burgeoning "low-income recession" in the disparity.

The Commerce Department's preliminary estimate of growth was more than double the 1.3 percent rate the economy grew in the second quarter.

Inflation by one measure — the implicit price deflator — was only 0.6 percent, the lowest level in 32 years, which helped to increase the statistic for real growth. But by a more complex measure called the chain price index, which Commerce itself prefers, growth was about 3 percent.

Discounted in this way for statistical and seasonal quirks, the growth figure came

closer to the Federal Reserve's target of slightly above 2.5 percent, which at a minimum means the central bank is likely to stay its hand until it receives a better reading of not only the third but also the final quarter of the year.

Wall Street and its economists had forecast a growth rate closer to the Fed's target and at first were surprised. But the market recovered, driven by a robust bond market. (Page 12)

With the economic growth report showing good but unevenly distributed growth, plus low inflation, Edward Yardeni of C.J. Lawrence deemed it "bad for profits," "pulled some tricks" by making assumptions about inventories and spending on housing and consumer goods. She said their estimates for September, the final month of the quarter, were likely to fall apart when they are replaced by reports from the field.

They will lose this year's gains," said Michael Metz of Oppenheimer & Co. He pointed out that as the end of the year approaches, fund managers — who have made on average about 25 percent this year — have turned supercautious and begun to take profits in the financial and technology stocks that were this year's stars, shifting either into cash or consumer cyclicals like pharmaceuticals or food and drink.

The GNP figures provided few clues to investors about where to jump next. Ms. Latta said the Commerce number-crunchers "pulled some tricks" by making assumptions about inventories and spending on housing and consumer goods. She said their estimates for September, the final month of the quarter, were likely to fall apart when they are replaced by reports from the field.

AGENDA

France Conducts a Third N-Test

PARIS (Combined Dispatches) — France, refusing to bend in the face of international condemnation, carried out the third of its series of nuclear weapons tests in the South Pacific on Friday, the Defense Ministry said.

The test was done at 11 P.M. Paris time beneath Mururoa Atoll in French Polynesia, the Defense Ministry said. It said the blast was equal to about 60,000 tons of TNT. "This test was aimed at guaranteeing the safety and reliability of weapons in the future," it said.

The series of tests, announced by President Jacques Chirac on June 13, has unleashed a storm of protest worldwide, with anger running especially high in the nations of the Pacific region.

France carried out a first test at Mururoa on Sept. 5. The second blast was conducted at Fangataufa Atoll on Oct. 2. (AP, AFP)

Yeltsin Illness Disrupts Bosnian Talks Russian Leader 'Stable' but Incapacitated for Weeks

By Steven Erlanger
New York Times Service

MOSCOW — Boris N. Yeltsin's doctors said Friday that the Russian president, in the hospital after an episode of heart disease Thursday, must remain under "close medical supervision" through the end of November, but that he was conscious and his condition was stable.

With Mr. Yeltsin hospitalized, Kremlin officials canceled a meeting scheduled for Tuesday in Moscow with the presidents of Serbia, Croatia and Bosnia before they travel to the United States to begin peace talks. Mr. Yeltsin has been pushing for a Moscow summit meeting on Bosnia, and the meeting was designed to underline Russia's importance in the search for peace there.

The U.S. defense secretary, William J. Perry, and the Russian defense minister, General Pavel S. Grachev, went into a second day of delicate talks in Washington about how Russian troops could take part in carrying out any peace in Bosnia without being directly under NATO command.

But some Western diplomats and analysts, like Andrew Pierre of the Carnegie Endowment for International Peace, suggested that the Clinton administration's plan was "a house of cards," and that Mr. Yeltsin's hospitalization, producing instability and uncertainty in Moscow, could complicate the Clinton administration's plans in Bosnia.

Officials said Friday that Mr. Yeltsin had received no visitors in the hospital except for the doctors, his wife, Naina, and his longtime friend and chief bodyguard, General Alexander V. Korzhakov. Officials said Friday that Mr. Yeltsin had been pushing for a Moscow summit meeting on Bosnia, and the meeting was designed to underline Russia's importance in the search for peace there.

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U.S. Budget Bill Fixes New Course for Nation

By Helen Dewar
Washington Post Service

WASHINGTON — To the Senate majority leader, Bob Dole, the Republican Congress's huge budget-balancing bill promises a "brighter future for our children and grandchildren" to pursue the American dream without fear of crushing budget deficits, mounting taxes and an overbearing federal government.

To Senator Edward M. Kennedy, Democrat of Massachusetts, it proposes to shred a hallowed social contract between Amer-

icans and their government by taking "from the needy to give to the greedy" and making "a mockery of the family values the Republican majority pretends to represent."

In their conflicting visions of the bill's likely impact on the country, Republicans and Democrats agreed on one point that was often obscured by the numbers crunching, deal making and political cheap shots of Congress's long debate over the measure: The bill represents a crossroads — a "defining moment," as Mr. Dole put it — in the course of America and the government it has known for most of the 20th century.

More than the "revolution" promised by President Ronald Reagan in 1981, both House and Senate versions of the legislation would reverse decades of Democratic social policy and reduce the reach of the federal government, scouring every nook, cranny and canyon of government to finance tax cuts and a balanced budget by 2002.

The House approved its version Thursday in a 227-to-203 vote. Once both houses produce a uniform version, the legislation will be toned down in negotiations with the White House after President Bill Clinton vetoes it, and voters may decide next year



Opponents of secession rallying Friday in Montreal. Quebec voters will decide the issue in a referendum Monday.

By Charles Trueheart
Washington Post Service

MONTREAL — Tens of thousands of Canadians gathered Friday in the heart of Montreal in an impassioned show of affection for Quebec as the province headed into a pivotal Monday referendum on secession from Canada.

Joined by streams of lunch-hour workers from office towers, the unity pilgrims massed on Boulevard René Levesque and Place du Canada at noon-time, creating a chanting red and blue sea of Canadian maple leaf flags and Quebec's fleur-de-lis.

"My Canada includes Quebec, and my Quebec includes Canada," a strolling man shouted through a megaphone.

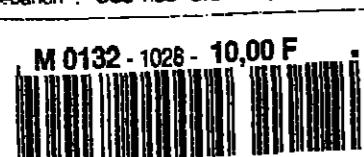
"We're here to hold hands with Quebecers," said Brenda Broughton, who was among the committed plane loads who flew here from British Columbia and elsewhere across Canada on steeply discounted "unity" fares offered by the two private Canadian air carriers.

The separatist leader Lucien Bouchard was derisive about the spontaneity and sincerity of the Montreal rally, which was organized hastily by the "no" forces after their late slide in public opinion polls became apparent.

Speaking Thursday in Sainte Hy-

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See BUDGET, Page 4

U.S. and Russia Agree on Bosnia Support Unit

Courtesy of Our Staff From Dispatches

FORT RILEY, Kansas — Russia and the United States have agreed to set up a joint military unit of several thousand troops to support peacekeeping efforts in Bosnia, the American and Russian defense ministers announced Friday.

The unit would include engineering, transportation and other soldiers but would not be part of a planned North Atlantic Treaty Organization force that would enforce any peacekeeping agreement, Defense Secretary William J. Perry and Defense Minister Pavel S. Grachev said.

They said they had not reached agreement on the separate issue of whether Russian troops would also take part in enforcing any peace agreement.

"We need a little more time," said General Grachev after the two defense chiefs flew here at the start of a two-day trip to U.S. military bases.

Mr. Perry said the problem to be

resolved is Russia's continuing refusal to serve in the actual peacekeeping force under NATO's command.

"I am quite certain we will find our way out of this situation," General Grachev said. The two said they would meet next month in Brussels to work out additional details.

"Let's not be in too much of a hurry," General Grachev said.

Mr. Perry said that several thousand U.S. and Russian troops would participate in a special operations unit that would engage in engineering, transportation and construction activities in Bosnia.

He said the unit would move into Bosnia about one month after the NATO peacekeeping force took up positions.

The special unit would be under the command of General George Joniwan, the U.S. officer who heads NATO, with a Russian general as his second in command.

General Grachev said there were "five or six options" that would circumvent direct command.

After their announcement, Mr. Perry and General Grachev watched a joint U.S.-Russian exercise.

■ **Draft Accord Is Set**

When the leaders of the warring par-

ties in the former Yugoslavia gather just outside Dayton, Ohio, next week, U.S. negotiators plan to present them with a draft peace agreement as well as detailed constitutional and territorial proposals for a future Bosnian state. The Washington Post reported from Wash-

ington.

The chief U.S. negotiator on the former Yugoslavia, Richard C. Holbrooke, said that the U.S. package was now being fine-tuned in discussions between the United States and its partners in the five-nation "Contact Group" of mediators, which includes Russia, Germany, France, the United States and Britain.

The package is also likely to include a separation of forces agreement, a proposal for elections to a unified Bosnian state, and an agreement on the return of refugees expelled during the Bosnian war, which has been going on for three and a half years. (AP, Reuters)

BRIEFLY EUROPE



Barbara O'Neill/The Associated Press

Two of the freed politicians, Sedat Yurtdas, left, and Ahmet Turk, in Ankara.

Turkish Ruling on Kurds Fails to Satisfy Germany

BERLIN — Germany said Friday that a decision by Turkey to release four of eight imprisoned Kurdish politicians was not enough to assure Turkey's entry into a customs union with European countries.

Foreign Minister Klaus Kinkel described the Turkish court ruling as disappointing. He said it "certainly did little to help" Turkey's chances of winning a favorable vote in the European Parliament.

Senior members of the European Parliament, which is scheduled to vote on the proposed customs union in December, have said that Turkey must improve its human rights record if it expects a favorable outcome. Germany has the largest bloc of votes in the European Parliament, and is also Turkey's principal trading partner, and its main advocate in Europe.

The eight Kurds were convicted in December on the basis of statements they made that were ruled to have been "separatist propaganda."

The top Turkish appeals court freed four of them, but upheld 15-year sentences against Leyla Zana, whom the European Parliament has voted to honor with its Sakharov Peace Prize this year, and the leader of her now-banned Democratic Party, Hafiz Dicle, as well as against two former legislators, Orhan Dogan and Selim Sadak. (NYT)

Kohl Assails Protesters

SOFIA — Bulgaria's governing Socialists are expected to tighten their grip on power in local elections Sunday.

Polls indicated that the Bulgarian Socialist Party would win about 30 percent of the votes and the main opposition Union of Democratic Forces about 16 percent. (Reuters)

Bulgaria Socialists Lead

VIENNA — Chancellor Franz Vranitzky's Social Democrats turned up the heat on their estranged coalition partners Friday, challenging them to discuss the possibility of an alliance with the far right.

With parliamentary elections set for Dec. 17, the Social Democrats issued 13 questions and sought answers from the leader of the People's Party, Foreign Minister Wolfgang Schüssel.

"Will you really allow Jörg Haider to become federal chancellor?" asked the Social Democratic whip, Peter Kosteka. He said that Mr. Schüssel's campaign slogans sounded remarkably similar to those of Mr. Haider's far-right Freedom Party. (Reuters)

Austrian Race Heats Up

ROME — The European Union summit meeting during Italy's presidency in the first six months of 1996 will take place in Florence on June 22 and 23. Prime Minister Lamberto Dini announced Friday.

He also said that the EU's intergovernmental conference, which is to map out the bloc's future, would open under Italy's presidency in Turin. Mr. Dini said he would propose that the conference begin next spring. (Reuters)

EU Summit Scheduled

MOSCOW — In a move to revive Chiapas peace talks and calm financial markets, the government said it would drop weapons charges

against Fernando Yanez Muñoz, the man suspected of founding the Zapatista rebel movement.

Mr. Yanez, who was detained last week, will now be released, a spokesman for the Attorney General's Office said Thursday. Only hours earlier, a judge had ordered Mr. Yanez held without bond pending trial following his arrest in Mexico City on Saturday on charges of illegal possession of an AK-47 assault rifle and a 9mm pistol.

"The Attorney General's Office, which is an institution of good faith, today presented to the judge hearing the case a request for charges to be dropped" against Mr. Yanez, a statement from the office of Attorney General Antonio Lozano said.

The arrest of Mr. Yanez, who the government says is Comandante German, the founder of the Zapatista rebel movement, had threatened to disrupt peace talks to end the movement's uprising in the state of Chiapas.

The Zapatistas rose up in arms on New Year's Day 1994 to demand greater democracy and indigenous rights. More than 145 people died in the early days of the uprising.

TRAVEL UPDATE

French Unions Urge Day of Protest

PARIS (Reuters) — Two of France's biggest unions, the Communist-led CGT and the activist Force Ouvrière, called Friday for a day of nationwide protest on Nov. 14 against the government's intention to reform the welfare system.

The one-day stoppage will be timed to coincide with a parliamentary debate that Prime Minister Alain Juppé has pledged will lead to an overhaul of the ailing finances of the system.

The CGT called in a statement for a national day of action and for demonstrations. Force Ouvrière called for protests in front of local government offices throughout France, and postponed a decision on a strike until a meeting of its assembly on Nov. 13. The Socialist CFDT union said it did not rule out taking part.

Air France Flight Halted in Sydney

SYDNEY (Reuters) — An Australian trade union placed a snap 24-hour ban on Friday on Air France's final flight out of Australia in protest against France's resumption of nuclear testing in the South Pacific.

The Air France flight from Paris arrived in Sydney on Friday afternoon with 183 passengers, and immediately after it was unloaded the Transport Workers' Union imposed a ban on the aircraft, an Air France spokesman said.

The flight was to have been the carrier's last from Sydney, but it ceased its Australian operations. The banned aircraft was to take 302 passengers to Paris on Friday night.

Aborigines Want Tourists Off Rock

ULURU, Australia (AP) — Aborigines want tourists to stop climbing Uluru, the huge red rock in the heart of the Outback desert, because it's against ancient tribal law.

Every year tens of thousands of tourists climb the domed-shaped monolith, also known as Ayers Rock, which dominates a national park in the geographic center of the country.

Tony Tjamiwa, an elder of the Anangu people, said Friday aborigines reluctantly tolerate the climbing even though they regard the rock as a sacred site with great spiritual power.

"Tourists climbing on the rock is very bad," he said. "But because tourists coming into the park pay their fees, we can't stop them."

Mr. Tjamiwa made his comments during anniversary celebrations marking the government's return of ownership of the rock to aborigines 10 years ago.

Denver Airport Blind Spot Found

DENVER (AP) — Federal investigators have located the blind spot in a ground-radar system blamed for a near-collision between a truck and a jet at Denver International Airport.

"We have determined there is an area of intermittent coverage for small vehicles" in areas approaching one of the runways, Greg Meuller of the Federal Aviation Administration said Wednesday. Changes have been made to compensate at night and in bad weather. Officials said radar problems contributed to a near-accident during a snowstorm early Monday when a city maintenance truck checking on conditions drove onto a runway where a United Airlines 727 was about to land.

Air traffic controllers said if the ground radar had been working properly, they could have warned the jet or truck, which radar had not picked up.

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Italian Court Sentences Craxi and Forlani to Prison 22 Are Convicted in Corruption Trial

Compiled by Our Staff From Dispatches

MILAN — Two former Italian prime ministers, Bettino Craxi and Arnaldo Forlani, and the leader of the Northern League, Umberto Bossi, were convicted of illegal party funding on Friday and sentenced to prison terms.

Mr. Craxi, a Socialist now living in self-imposed exile in Tunisia, was sentenced to four years in jail in one of the stiffest sentences imposed on the 22 defendants by the Milan court at the end of a 16-month trial.

Mr. Forlani, a Christian Democrat, was given a 28-month jail sentence.

Mr. Bossi and Alessandro Pasetti, former treasurer of the federalist Northern League party, both received eight-month suspended jail sentences.

All were found guilty of illegal party financing in the so-called Enimont trial, the biggest case to date in more than three years of scandals over the huge corruption that tilted the wheels of politics under Italy's old governing class.

The prosecution charged that the Feruzzi industrial group spent about 150 billion lire (\$94 million) in bribes to extricate itself from its disastrous Enimont joint venture between agro-chemicals company Montedison and state energy group ENI and to buy influence before the 1992 general election.

All 22 defendants convicted by the court deny wrongdoing. Under Italian law, all 22 politicians and businessmen can have their sentences suspended pending an appeal.

Mr. Bossi's party was in a coalition government for seven months last year. He built his northern-based party's appeal on its assault on political corruption and sought to brush off his conviction.

The list of accused reads like a "Who's Who" of Italy's fallen mighty, with 14 politicians convicted along with three former Montedison employees and five middlemen.

Mr. Craxi, who was prime minister from 1983 to 1987, left Italy last year for his holiday home in Hammamet, Tunisia. (Reuters, AFP)

Former Prime Minister Giulio Andreotti of Italy heading for court in Perugia on Friday. He is on trial for instigating the murder of a journalist, Nino Pecorelli, who had gathered damaging evidence of a Mafia affiliation against the political leader.



Lorenzo Micali/The Associated Press

QUEBEC: Canadians, at Huge Rally, Implore Compatriots to Stay

Continued from Page 1

acintre, Quebec, Mr. Bouchard tapped his breast with his hand and said sarcastically, "Boom, Boom. If they love us so much, where have they been all these years?"

The leader of the Bloc Québécois told his audience of enthusiastic veterinary students that workers were being given a day off, and in some cases rides to Montreal and flags to carry, by their pro-unity employers.

He reminded them that Quebec's chief electoral officer had declared the discounted air fares to the rally an illegal campaign contribution to the "no" side. "They are driving a bulldozer over the laws of Quebec because federalism and the 'no' are more important than respecting the fundamental law of Quebec," Mr. Bouchard said.

The pro-unity crowd heard a succession of upbeat messages from Prime Minister Jean Chrétien and other leaders of the "no" forces who hope to wrest victory from the defeat that polls indicate is now narrowly possible. Mr. Chrétien said Quebecers were fortunate to belong both to a

"patrimony" named Quebec and a country named Canada, and "we say 'no' to those who want to take Canada away from you."

The rally was the latest and largest this week in a succession of occasionally tearful public outpourings from the rest of Canada. Their mostly English-speaking fellow citizens are pleading with mostly French-speaking Quebecers, in effect, to give them one more chance to make things right in the fragile Canadian family.

Lyse Lacourse, a federal worker who took the day off to be here, said the crisis of a possible "yes" vote in Monday's referendum had brought out a side of Canadians she had not seen before. "We do have emotions. We are patriotic. We don't show it like other countries, like the Americans. But as Canadians, we've never shown that as clearly as today," she said.

"Those of us who live in Quebec get to vote, but the majority here won't, so this is their chance to make their feelings known," said Dale Shutt, who accompanied a busload of unity enthusiasts from the Pontiac region of western Quebec. She

marveled that people had come all the way from Yukon territory to attend the festive demonstration.

Whether the extraordinary expression of good will and concern will make a difference to undecided voters is a question about which "no" and "yes" supporters naturally differ.

Regardless of its impact, the rally capped a late whirlwind of activity by Mr. Chrétien and his provincial allies to reach Quebec voters who may be tempted by the separatist momentum to abandon their traditional hesitation about rupturing Canada and going it alone.

As recently as three weeks ago, as for months before, polls showed the separation option losing to the unity side. Now the tables are turned. The SOM poll released Friday put the "yes" side at 46 percent, the "no" at 40 percent, and undecided at a sizeable 14 percent.

The six-point spread is impressive, but many analysts here have begun to predict that the undecided voters, together with those who refuse to be questioned by pollsters, will overcome the apparent lead.

French Hunter Bags a Copter

Reuters

A French hunter, angry at low-flying army helicopters, blazed away with his shotgun and brought down a four-and-a-half-ton woop-carrying helicopter on Friday.

No one was hurt in the incident in which the SA-330 Puma made a forced landing after its fuel line was cut by the shotgun blast. The aircraft was over a forest at an altitude of 30 meters (about 100 feet) when it was hit, the army said.

The hunter, a resident of this area of southern France where helicopter pilots train for combat missions, was arrested by police, who said he had been drinking.

The army said the 16-meter-long aircraft, which has a four-man crew and can carry 15 troops, was returning to its base after dropping off some soldiers when it was shot down.

YELTSIN: Talks Disrupted

Continued from Page 1

Officials have already canceled state visits to China and Norway scheduled for November.

Mr. Yeltsin's second attack in the last four months of "myocardial ischemia," an insufficiency of oxygenated blood to the heart muscle, will also undermine any campaign plans he had before the parliamentary elections on Dec. 17.

Mr. Yeltsin had talked of marshaling democratic forces against the challenge from the revived Communist Party, which is leading in scattered polling.

It also puts his own chances of re-election into further doubt in presidential elections scheduled for June.

The December elections now take on added importance as an indicator of the strength of other presidential hopefuls like Prime Minister Viktor S. Chernomyrdin, former General Alexander M. Lebed and the liberal economist Grigori A. Yavlinsky, all of whom are leading political parties into the parliamentary vote.

Diplomats and analysts suggested that despite Mr. Yeltsin's efforts to preserve his political clout by keeping open a bid for re-election, this second bout of heart trouble will be harder to shrug off politically.

"There are a lot of people today who will be recalculating their political positions," a diplomat said. "It's important to keep an eye on the relations between the Yeltsin entourage and the Chernomyrdin government, to see if anyone's edging that way."

If Mr. Yeltsin dies or suffers prolonged incapacity, Mr. Chernomyrdin becomes acting president and must call new presidential elections within three months.

Rumors of a Rob slush fund had circulated in Seoul for years. In May 1993, Mr. Roh's daughter, Roh So Young, and her husband were convicted in a U.S. federal court of violating currency laws. Prosecutors said they brought nearly \$200,000 in cash into the United States and deposited it in 11 banks in California in 1990, during Mr. Roh's presidency. They were given one-year suspended sentences.

Prosecutors said the cash came from a Swiss bank account, raising Korean suspicions about whether Mr. Roh had raised and hidden money during his presidency.

On Oct. 19, an opposition lawmaker said in the South Korean Parliament that Mr. Roh had hidden millions of dollars in the Shinhan Bank in Seoul. The next day, the prime minister ordered an investigation.

Before the announcement Friday by Mr. Roh, investigators had already found accounts worth about \$133 million — \$97 million in the Shinhan Bank and \$36 million in the Dong-A Investment & Finance Co., also in Seoul. Investigators have reviewed records at least 20 banks and financial companies searching for clues about the secret fund.

Mr. Roh said in an eight-minute prepared speech that the money had been from corporations.

"It is very natural that the remaining fund should have been returned to state coffers at the close of my presidential term, but I couldn't do that at that time, due to various situations," Mr. Roh said, without any elaboration.

A party spokesman denied receiving money from the fund and said the figures disclosed by Mr. Roh on Friday were "shocking."

White Farmers Plan South Africa Action Talk With Us, Leader Says

Reuters

JOHANNESBURG — White South African farmers warned the black majority government on Friday that they were planning drastic action over grievances ranging from land claims to escalating crime.

Dries Bruwer, head of the Transvaal Agricultural Union, said the government of President Nelson Mandela was not consulting farmers on vital issues like representation on local councils and land redistribution.

"They are forcing a system on us that we don't want," Mr. Bruwer said. "We are not going to pay levies and taxes because we are being stripped of powers over our own farms."

"What annoys farmers most is that there's no law and order anymore," Mr. Bruwer said. "You can't farm near a squatter camp because the squatters steal everything they can move."

Mr. Bruwer said black farmers were evicting white workers because of legislation that would give the workers ownership of farm land if they had lived on it for a certain period.

"The government is disrupting the good relations that farmers have always had with their workers," he said.

Mandela's Party Polishes Promises

By Donald G. McNeil Jr.
New York Times Service

VOSLOORUS, South Africa — With just days go until the second-most important election in South African history, Max Sisulu might have been expected to be frantically pressing the flesh, kissing babies, and doing everything he could to make sure that his party's candidates win their races.

Instead, Mr. Sisulu, a legislator from Soweto and son of Walter Sisulu, lion of the African National Congress, was touring a tough township that does not contain a single one of his constituents, trying to determine whether his party's platform issued two years ago, is on track.

The platform is the much-vaunted Reconstruction and Development Plan, the ANC's book-length outline for rebuilding South Africa.

Crime, housing, and how much power Zulu chiefs will retain under the constitution are big issues in Wednesday's voting, which will elect city councils and ward committees across the nation. But one thing the ruling ANC's opponents have unfailingly bashed it with is the charge that "the ANC has failed to deliver on the RDP," as everyone calls it in the acronym-mad milieu here.

That why Mr. Sisulu was here. "The ANC has to deliver on its promises," he said. "If we do that, we'll win all the elections."

Not that he seemed worried. "We got 64 percent of the vote last time and we're hardly likely to lose this time," he said.

Saki Macozoma, chairman of the ANC's elections commission and a principal strategist, denied that the party is complacent, saying its national leaders will campaign hard this weekend. They did little before, he said, because his research showed voters were more interested in the local candidates.

Mr. Sisulu's eyes are firmly on the number of houses built, jobs created, promises kept. As the chairman of the Parliament committee overseeing the Reconstruction and Development Plan, he is especially stung by the campaign criticisms.

Asked how he would treat a fellow ANC member, Jay Naidoo, the cabinet minister in charge of running the plan, if he suspected foot-dragging, he replied: "I'll hammer him."

BUDGET: A New U.S. Course

Continued from Page 1

that Republicans went too far in carrying out what they perceived as a mandate for smaller, cheaper and less intrusive government last November.

But the overall direction has been set in ways that will be hard to reverse.

"For the first time in 50 years, we have changed the dynamics of the welfare state," said the Senate Finance Committee chairman, William V. Roth Jr. of Delaware.

"Never before have we tried to bring about such fundamental change," added Mr. Dole of Kansas.

Similar claims resonated through the House.

"I believe that we were sent here by the American people last Nov. 8 to get the American government out of our faces," said Representative George Purdy Radanovich, a first-term Republican from California.

The House majority leader, Richard K. Armey of Texas, said:

"For 60 years, this ship of state has sailed in the wrong direction, to the left. With this vote today, we will turn the ship of state around to the right."

The legislation reaches back through more than 60 years of Democratic social programs, dating back to the New Deal, to come up with savings necessary to cut taxes by \$245 billion, reduce spending by about \$1 trillion and fashion a far more limited federal government over the next seven years.

It takes aim at the New Deal in abolishing welfare as a federal entitlement and at the Great Society in ending or sharply curtailing the poor's entitlement to health care under Medicaid.

Funds for these services would be limited and turned into lump-sum block grants to the states, which would have enormous discretion over who

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A Hidden 'Comfort Women' Chapter: The GIs

By Nicholas D. Kristof
New York Times Service

TOKYO — Governments have made plenty of outrageous requests of their citizens, but few are as remarkable as what the Japanese government secretly requested of tens of thousands of Japanese women 50 years ago.

Six days after Japan's surrender in World War II, the cabinet met in the prime minister's residence to discuss "urgent measures" that had nothing to do with the atomic bombings or the millions of homeless people or similar national crises. Instead, the cabinet struggled with how to sate the libido of American "sex-starved soldiers."

Fearing that the Americans occupying Japan would behave as Japanese troops sometimes had overseas, raping any woman or girl in sight, Japan's government set up a front organization to establish brothels for the Americans. The authorities asked patriotic Japanese women to sacrifice themselves as "comfort women" for the Americans.

"We were told that our mission was to be a sexual dike to protect the chastity of Japanese women," said Tatsugoro Suzuki, who was then the 25-year-old manager of a restaurant. After two frantic weeks, using government help to obtain futsus, Mr. Suzuki had turned the

BRIEFLY ASIA

North Korean Spy Killed

SEOUL — After eluding a manhunt for three days, a North Korean infiltrator was finally shot Friday morning when he tried to break through a tightening cordon of commandos on a thickly wooded mountain, South Korean authorities said. North Korea called the report a fabrication.

The infiltrator, identified as Park Kwang Nam, had been on the run since Tuesday, when he escaped following a shoot-out that killed a South Korean police officer, wounded two others and left his compatriot, Kim Do Shik, in custody.

South Korean officials promised even tighter security in the wake of the incursion and of another last week in which a North Korean infiltrator was shot and killed near the border.

Japan Will Aid Burma

TOKYO — Japan is ready to resume developmental aid to Burma despite reports of serious human rights abuses there, the Japanese Foreign Ministry said Friday.

Officials from Japan and Burma will exchange documents on Japan's grants, totaling 1.62 billion yen (\$16 million), in Rangoon on Monday.

Japan, which is Burma's largest donor, suspended aid in September 1988 following a military crackdown. Since then, Japan had limited help to small-scale humanitarian aid.

Following the release of the opposition leader Aung San Suu Kyi in July, Japan agreed to restore development aid.

Amnesty International said thousands of dissidents remain imprisoned.

Cult Leader Set for Trial

TOKYO — A religious cult leader charged in a nerve gas attack on Tokyo's subways retired his lawyer Friday, two days after he had dismissed him in what was widely seen as an attempt to delay the trial.

Shoko Asahara, leader of the Aum Shinrikyo cult, filed documents reappointing Shoji Yokoyama as his lawyer, a court official said. Mr. Yokoyama said in a television interview

that he had met with Mr. Asahara and decided to resume work on the case.

Mr. Asahara was called into court Thursday to answer questions about why he had dismissed Mr. Yokoyama. The firing forced a delay in the trial, since Japanese criminal trials cannot start if the defendant has no lawyer.

The delay on the eve of the trial caused a sensation in Japan, where many have been anxiously awaiting the trial's start.

Many people suspected the cult had orchestrated the delay, and Mr. Yokoyama fueled those suspicions when he said cult members had urged him to remain in hospital for at least a month after a car accident last weekend.

Mr. Asahara, 40, is accused of several crimes, including conspiring with followers to carry out the subway nerve gas attack, which killed 12 people and sickened more than 5,500.

(AP)

China Confers on Rights

HONG KONG — Chinese officials conferred with their Hong Kong allies Friday after a proposal to trim civil rights in the territory drew protests not only from China's detractors, but also from some supporters.

An unusual gesture to Hong Kong public opinion, the meeting appeared intended to limit the damage caused by a China-appointed committee's proposal to curb the Bill of Rights after the British colony reverts to Chinese rule in 1997.

About 100 members of Hong Kong's pro-China camp sat down to tea with three visiting Chinese officials at the offices of the Xinhua press agency, which operates as China's unofficial embassy in Hong Kong.

The deputy director of Xinhua, Zhang Junsheng, said the meeting was called in response to "the large amount of discussions that followed after the proposals and ideas were made public."

The proposal would repeal the power of the 1991 Bill of Rights to override other laws and annual amendments to other laws granting greater freedom of speech, broadcasting and assembly.

Mr. Zhang referred to the proposal as preliminary, but there was no indication that China intended to reject it.

restaurant into a brothel with 30 women supplied by the government.

The charge to the soldier (only Americans were admitted) was the equivalent of 8 cents, and that included a bottle of beer. Half the take went to the woman and half to the house.

"The Americans didn't know this was a government operation," Mr. Suzuki said. "That was a secret."

The 50th anniversary of the beginning of the American occupation has stimulated renewed interest in that chapter of Japanese history, and a television program has raised awareness and eyebrows with its program on Japan's own wartime

prostitutes. Internal documents of the front organization, the Recreation and Amusement Association, show that 55,000 women served in.

The figure includes some women who were secretaries, but presumably the great majority worked as prostitutes.

"This really was necessary at the time, because we didn't know what kind of soldiers would come," said Tsumenori Ono, who was then a 29-year-old police official detailed to oversee the brothels. "It really seemed crucial to build this sexual dike."

The American military authorities nominally banned prostitution but made few efforts to enforce it. The Americans became agitated only when venereal disease rates soared, leading them to declare the Recreation Association brothels off-limits in March 1946.

As a result, the association decided to close down. Other brothels, privately owned, did a booming business, but the Japanese government's role as a procurer ended after seven months.

In the last few years, the world has learned a bit about the Korean, Chinese and even Dutch "comfort women" who were forced to provide sex for the Japanese army abroad. Yet the



Emmanuel Dauan / Agence France Presse
HIGH-WATER DAYS IN THAILAND — A Buddhist monk fording a street in Bangkok on Friday. Some 231 people have died in Thailand's worst floods in decades.

Colombo Calls for Cease-Fire

Sri Lanka Sets Terms as Army Advances

The Associated Press

COLOMBO — As thousands of Sri Lankan troops advance toward the rebel stronghold, the government has laid down conditions for resuming peace talks, a state-run newspaper reported Friday.

President Chandrika Bandaranaike Kumaratunga has demanded a cease-fire, the surrender of some of the Tamil minority's arms, and an agreement to negotiate within a specific time frame, the Daily News said.

The paper quoted a speech Mrs. Kumaratunga made Thursday at a meeting of the Asia Society of New York. She had traveled to the United States for the 50th anniversary of the United Nations.

In April, the rebels broke a cease-fire, and fighting in the 12-year civil war for a Tamil homeland has sharply escalated. Since then, at least 3,500 people have been killed, including 1,200 soldiers and 1,600 guerrillas.

"We were foolish not to lay down conditions" during the last peace process, the paper quoted the president as saying.

Mrs. Kumaratunga said she still believed the war should end with a political solution, not a military one.

In July, the government proposed giving provinces far more power to rule themselves, thereby allowing the Tamil minority more autonomy. But the government has refused to discuss its proposals with the rebels until they stop fighting.

Meanwhile, the army, equipped with better weapons and the government's new determination, has amassed more than 35,000 soldiers in northern Sri Lanka, where most Tamil rebels are based.

Troops have advanced to

within eight kilometers (five miles) of Jaffna City, the rebel stronghold.

Thousands of Tamil civilians reportedly are fleeing front-line areas. The military says 127 soldiers and 500 rebels have been killed, and 310 soldiers and 1,500 rebels wounded in the offensive.

Last week, the rebels blew up the country's two largest oil depots in Colombo, the capital. They also have attacked Sinhalese villages outside the war zone, killing at least 109 civilians in the last week.

In the offensive, Sri Lankan troops are equipped with new guns, boats and aircraft acquired after the April truce ended. Most of the arms came from Russia, Britain, China and Eastern Europe.

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Argentina Cleans Up

Twenty years ago, the Argentine military personified state terror. In the "dirty war" that began in 1976, more than 10,000 Argentines vanished into the military's concentration camps, suffered unspeakable torture and were never seen again. Today the Argentine military is professional and respectful of human rights and civilian control. The largest challenge to Latin America's new democratic leaders is how to control their militaries; the Argentine transformation, led by the army chief of staff, General Martín Balza, deserves their attention.

General Balza carries authority within the military in part because of his conduct during the Falklands War of 1982, in which he was a genuine hero and then a prisoner of British forces. He first sprang to world notice last April with an extraordinary televised address in which he acknowledged that the military had tortured, killed and robbed during the dirty war, and said that soldiers who gave or followed immoral orders were committing crimes. (He himself spent the worst years of the war studying in Peru.) The speech helped push Argentina's president, Carlos Saúl Menem, to abandon his defense of the military's dirty war conduct.

—THE NEW YORK TIMES.

A Bad Hand

Pop quiz: When a powerful U.S. senator plays poker with a group of lobbyists, what are the statistical odds that the senator will ever suffer a prolonged losing streak?

The New York Times revealed on Thursday that Senator Alfonso D'Amato, chairman of the Senate Banking Committee, used to play host to long-running Thursday night card games in his Capitol office. In these contests, the senator was pitted against lobbyists for the Securities Industries Association, Citicorp, credit unions and other industries regulated by the Banking Committee.

Senator D'Amato says that he was probably a net loser, and that the poker-playing ended at least four years ago because of his lack of spare time. Other players recalled that he did well (particularly when playing his favorite variation, the Alfonso Cross), and that there

were games as recently as 18 months ago. The public will have to judge whose memory is better, and whether Mr. D'Amato is right when he says the games were harmless social occasions.

The worst aspect of the poker story is not the suspicion that securities lobbyists may have taken an occasional dive while playing against the men they were paid to influence. Rather, the Thursday night games are a stark example of Mr. D'Amato's cozy relationship with the financial industry. "These people were all my friends," he said when asked about his fellow poker-players. "I wish I had more opportunity to spend time with my friends, but I don't."

Meanwhile, the nation's investors, who rely on Mr. D'Amato to protect their interests, may have to settle for solitaire.

—THE NEW YORK TIMES.

Labor's Chance

In the 1950s, one out of three employed Americans belonged to a union. Now it's fewer than one out of six — and in the private sector, fewer than one out of 10. That enormous erosion of membership and power has happened because of changes deep in the economy and is the background to the forced resignation last summer of Lane Kirkland as president of the AFL-CIO and the election this past week of John J. Sweeney to succeed him.

One great contribution of the AFL-CIO under Mr. Kirkland and Thomas R. Donahue, whom Mr. Sweeney defeated, was its valiant work on behalf of human rights in the United States and around the world. But the collapse of the Soviet empire seemed to diminish the political importance of the unions' work abroad, and for some years the great issue within the labor movement has been its shrinking base in the United States.

Mr. Sweeney promises to invest much new money and energy in organizing. He says that he's prepared to use a kind of abrasive and confrontational tactic that the labor movement hasn't often employed in recent decades. Here in Washington, Mr. Sweeney and his Service Employees International Union are known for their Justice for Janitors campaign, which, for example, blocked the Roosevelt Bridge during rush hour one morning last month to protest the impending cuts in the city budget. It's open to question whether that style of advocacy is going to win unions much sympathy.

But some of Mr. Sweeney's achievements are notable. Under his leadership, over the past 15 years his Service Employees Union has nearly doubled its size. That violates all of the common wisdom about the future of labor unions, for his members are precisely the people — not highly skilled, working for low wages in the service sector — who are said to be most difficult to reach.

Organized labor may now have a historic opportunity before it, although it similarly violates the common wisdom even to hint at it. Waves of layoffs and corporate downsizing have persuaded a lot of middle-class workers that they are more vulnerable than they thought, and the stagnation of middle-class wages is generating a rising uneasiness and resentment.

At a time when politics is swinging toward reduced responsibilities for government and leaving more decisions to markets, there may turn out to be a new appeal in the idea of collective action to

preserve some balance in the market for labor.

Whether anything like that happens depends on unions' ability to work with a generation of young Americans who are better educated than their parents and much more skeptical about large organizations. Mr. Sweeney's job is not to lead the labor movement back to the glory days but to address the questions of people who are easily shaken by the transformation of the companies that employ them.

—THE WASHINGTON POST.

Other Comment

U.S.-Japan Relations

One would think that the top priority following the vicious gang rape of a 12-year-old would be concern for the girl's health plus a determination to secure the maximum penalties for the perpetrators. Yet somehow the rape of an Okinawan girl, (allegedly) by U.S. troops stationed there, has become mixed up with calls for a redefinition of the U.S.-Japan Security Alliance in which that unfortunate child has become a useful pawn. And it should serve as a warning shot across the U.S. bow that its confrontational approach on trade issues may have unfortunate implications for a nascent Japanese nationalism that has the potential to make today's disputes look like a golden age of harmony.

Already there is no shortage of signs that the partnership — "the most important alliance in the world," says the Clinton administration — is not what it once was. The demonstrations in Okinawa against the U.S. bases are only part of the story. Within the United States, Japan-bashing has become a bipartisan sport, mirroring increasingly nationalistic calls from prominent Japanese for Japan to dump Uncle Sam and go its own way. And we find it hard to believe that 10 or 15 years ago, a Japanese Finance Ministry would have withheld information from the Fed about the continued trading in bonds by a Daiwa Bank dealer who had racked up \$1.1 billion in losses.

We think we have made it clear by now that the primary responsibility for this state of affairs rests with the Clinton administration.

—Far Eastern Economic Review (Hong Kong)

U.S. 'Peacekeepers' Would More Likely Be Targets

By Charles Krauthammer

WASHINGTON — The first law of peacekeeping is that when you have real peace, you don't need peacekeepers. When both parties are in military equilibrium and have no intention of fighting each other — Israel and Egypt, for example — peacekeepers are nice to have but they are mere window dressing.

The second law of peacekeeping is that where there is no peace, sending peacekeepers is a disaster. When the parties remained unrecalled — as in Beirut or Somalia, for example — peacekeepers simply become targets.

The third law of peacekeeping is that Americans make the best targets. If you are unhappy with the imposed peace, there is nothing like blowing up 240 Marines or killing 18 U.S. Army Rangers to make your point. Killing Americans is a faster way to victory than killing your traditional enemy.

From which follows one of the rare absolutes in foreign policy: Never send peacekeepers — and certainly never send American peacekeepers — to police an ongoing, unsettled war. Yet President Bill Clinton long ago committed the United States to sending 25,000 peacekeeping troops to police a Bosnian peace.

He made this offer in his usual foreign policy way: unreflective offhandedness in

the service of expediency. And now, as a Bosnian agreement of sorts approaches, his bluff is about to be called. Must the country go along with his folly?

If in the coming peace talks at an air force base in Dayton, Ohio, Richard Holbrooke can manage to get the Serbs, the Croats and the Bosnians to agree to a real peace, one they will be satisfied with and truly respect, that would be wonderful. But why would we need Americans to police such a peace? Such a peace could be policed by Fijians or Pakistanis or Canadians wearing UN blue helmets or some other multinational attire.

Why are the Bosnians demanding American ground troops instead? Because none of the three vengeful, irredentist parties expect anything resembling a real peace. They are not even pretending. Croatia, for example, announced just last Tuesday that if it does not get eastern Slavonia by the end of November, it will go to war with Serbia to get it.

At Dayton, the parties may grudgingly sign on to a "peace" that all know will amount to a limited, temporary cessation of hostilities — a truce long enough to allow the quick interposition of heavily

armed NATO and American ground troops. And then what?

And then, insanely, we Americans have made ourselves parties to the conflict. There will be no avoiding it.

Whom are we going there to fight? Congress asked administration spokesmen at hearings recently. The administration answer: just rogue elements of the different militias who might violate the agreements their political leaders had signed. But if any of the three parties sent regular troops against us, we would presumably just give up and get out.

As if giving up and getting out can be accomplished without needless casualties, self-inflicted humiliation and grave tensions with allies who might be left behind. And as if the job of housebreaking overambitious "rogue" militias is the job of the U.S. Army and not of the Balkan parties' own political and military leadership.

And what kind of neutrality — the one indispensable for any peacekeepers — are we bringing to the conflict? Our sympathies for the Bosnian government side are pretty obvious, particularly to the Serbs who have been on the receiving end of NATO air strikes and U.S. Navy cruise missiles. Even more absurdly, the administration intends to simultaneously "peace-keep" and arm and train the Muslims.

Let's be clear: U.S. troops will be in Bosnia not to peace-keep but to protect the Bosnian government side. Our job will be to serve as human trip wires for the Bosnians. If Serbs or Croats move against the Bosnians, they will henceforth have to roll over the bodies of Americans first and risk involving the United States even more heavily on the side of the Sarajevo government.

Bosnia is about to see the transformation of an impotent UNPROFOR (UN Protection Force) into a heavily armed USPROFOR (U.S. protection force). And the administration knows it. Secretary of Defense William Perry boasts that our force in Bosnia will be "the meanest dog in town." But real peacekeepers are not supposed to be mean dogs. Real peacekeepers, like the ones in Sinai or Cyprus, are warm puppies. Their job is to carry binoculars and smile and reassure everyone. You send a heavy armed infantry when you are going to protect and enforce.

It is hard to think of a greater folly than trying to enforce a peace among uncivilized Balkan enemies. It is a folly that President Clinton's fateful meanderings on Bosnia have backed us into, a folly that must be firmly rejected now before it is too late.

Washington Post Writers Group.

Don't Throw Good Money After Bad Politics in the Mideast

By Marwan Bishara

JERUSALEM — Ever since the Middle East peace process began four years ago in Madrid, there has been a quiet, but fundamental, tussle among the peacemakers. On one side are those who think politics are the key to the future of the Middle East; on the other, those who think economics are the panacea.

In the "economic" camp there is a lot of talk about ambitious measures to buttress the peace agreement between Israel and its neighbors with free-market policies. Economic and trade liberalization, it's said, will translate into a more vigorous private sector, enhanced standards of living, broader popular participation and, hence, into a force for lasting political change in the region. Middle Easterners, like people who dwell in other prosperous regions, would have vested interests in stability. Profiting from peace, they would be disinclined to make war.

Those who give primacy to politics argue that such a vision, at least in the Middle East is naive. They claim that only a sound agreement based on justice, law and, of course, security requirements — plus political reform and democratization — will enable the present formal peace to develop into a stable environment that nurtures economic progress.

This disagreement was evident during the first regional economic summit meeting in Casablanca, Morocco. It remains so on the eve of the second regional economic gathering, which will convene this week in Amman, Jordan. And, despite a lot of economic hype, the year just passed suggests that the long-neglected advocates of "politics first" may well have been right.

In fact, the economic benefits of the peace process have always been oversold. And the inability to live up to popular expectations could jeopardize even the political agreements that already have been made.

For starters, we can forget the "peace dividend." Military budgets are growing, not shrinking.

"Security needs do not disappear overnight," says Cao Koch-Weser, World Bank vice president for the Middle East and North Africa, "and even more modest force levels can be expected to incur new costs as they are modernized."

Thus, shortly after their peace agreement with Israel, the Palestinians find themselves spending most of their budget on security. Jordan is about to become better armored than ever before. Lebanon is expected to devote considerable resources to its army, to enable it to assert its control over the militants in the south.

And for Israel, Egypt and Syria, all three maintain that their security needs reach beyond their borders. With powerful historical rivals like Turkey and Iran on the near horizon, and internal Arab relations in a jam, the Arab states' perpetual sense of insecurity will translate, at always, into higher defense spending.

Second, there's the matter of privatization and economic liberalization. According to the optimists, reduced external threats should allow policy reforms that were previously resisted, and as regulations and controls are eased, the private sector might be given more room for initiative.

But 16 years after peace with Israel, Egypt has yet to privatize the bulk of its state-owned compa-

nies. Run, as they are, by retired military men and friends of the ruling party, they are either "sold" to their managers at a very low price — or promptly go bust — or they are kept under government protection.

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For starters, we can forget the "peace dividend." Military budgets are growing, not shrinking.

"Security needs do not disappear overnight," says Cao Koch-Weser, World Bank vice president for the Middle East and North Africa, "and even more modest force levels can be expected to incur new costs as they are modernized."

Thus, shortly after their peace agreement with Israel, the Palestinians find themselves spending most of their budget on security. Jordan is about to become better armored than ever before. Lebanon is expected to devote considerable resources to its army, to enable it to assert its control over the militants in the south.

And for Israel, Egypt and Syria, all three maintain that their security needs reach beyond their borders. With powerful historical rivals like Turkey and Iran on the near horizon, and internal Arab relations in a jam, the Arab states' perpetual sense of insecurity will translate, at always, into higher defense spending.

Second, there's the matter of privatization and economic liberalization. According to the optimists, reduced external threats should allow policy reforms that were previously resisted, and as regulations and controls are eased, the private sector might be given more room for initiative.

But 16 years after peace with Israel, Egypt has yet to privatize the bulk of its state-owned compa-

niess. Run, as they are, by retired military men and friends of the ruling party, they are either "sold" to their managers at a very low price — or promptly go bust — or they are kept under government protection.

The Hague and Geneva conventions state that when a weapon or method of warfare is not specifically forbidden by the "dictates of public conscience" shall apply.

The court, implicitly acknowledging the extralegal nature of the case, has agreed to entertain "declarations of public conscience" from citizens' groups.

More than a million such individually signed declarations are being presented to the court, saying that the threat or use of nuclear weapons would "violate international law, including the WHO constitution?"

In December, the UN General Assembly adopted a resolution asking the court to consider the question: "Is the threat or use of nuclear weapons in any circumstance permitted under international law?"

The unambiguous nature of the questions has made this a historic case. If the judges were to find the threatened use of nuclear weapons is illegal, it would open up the question of the lawfulness of the major powers' deploying nuclear weapons outside their own territory.

Nor can such a pact emerge in the foreseeable future since it would conflict directly with the strategic interests of the leading powers and their allies.

The security of the major powers remains intrinsically linked to nuclear weapons. Four of the five declared nuclear powers continue to pursue offensive military strategies based on the first use of nuclear arms; the fifth, China, has pledged it would not be the first to strike but has said such a policy specifically excludes its foe, India.

China, NATO and Russia continue to deploy battlefield nuclear weapons. The world has been fortunate to escape further atomic destruction since Japan was bombed in 1945.

The United States has considered re-employing nuclear arms on several occasions. Former President Richard Nixon acknowledged in 1985 that there were three other instances, be-

sides Vietnam, when he had considered using nuclear weapons.

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Arts & Antiques

Dealers Rule Chinese Art Eskenazi Show Underlines Power Shift

By Souren Melikian

LONDON — No power balance is ever permanent in the art market any more than in other world contests. But for Chinese art specialists, performing in auction houses, change cannot come too soon. In the past five years, dealers have been gaining the upper hand in the confrontation on the Chinese art front.

As the elite of the collecting world, mixed with a few distinguished guests from academe, streamed into Eskenazi's private viewing of "Early Chinese Art: 8th Century B.C.-9th Century A.D." on June 5, the thoughts of auction house specialists mixing with the crowd must have taken a nostalgic turn. The sight of the 47 works of art included in the selling show, which opened to the public on June 6 and ended on July 8, might have reminded them of the good old days when auction houses led the race and dealers trailed well behind. As Eskenazi's montlhong show came to an end, his sales added up to more than £4.5 million (\$7 million), more than either Christie's or Sotheby's early in June. In the next two months, works valued at £2.5 million more were sold, raising the total far above that of the two houses.

This is not surprising. Notting in their auctions came anywhere near some of the extraordinary pieces seen at Eskenazi's.

Indeed, no public sale held within the living memory of collectors ever offered a major group of figures revealing a hitherto unknown school of early Chinese sculpture.

Six gray earthenware dancers, retaining most of their original polychromy, did precisely that. Dating from the Western Han period (209 B.C.-9 B.C.), they may well be the work of a single artist. The stylization of the bodies, the expressions on their inscrutable masks and the feel for movement set them apart from any known Han figures. On the opening night, a Swiss connoisseur bought three of them at one go, each with a price

tag in the region of £120,000.

A Belgian bought a fourth figure — slightly smaller, slightly less expensive — the asking price was £110,000.

This was the second time in

five years that a new school of Chinese sculpture was thus revealed in a dealer's gallery.

James Lally of New York did it first. In a selling exhibition that opened on May 31 and lasted until June 23, 1990, Mr. Lally displayed a group of six wooden figures, probably dating from the 8th century A.D. Carved with a fluid elegance, these were very different from Tang pottery figures, the only ones that would provide a basis for comparison.

Here, the success story was even more clear cut. At the opening, a lady of the court and a man in a double-breasted tunic were bought by a collector for a price close to \$600,000.

All six figures went within days. By the end of the show, Mr. Lally said, sales added up to about \$5.5 million. This was at the time when the art market crisis was brewing, making the score all the more remarkable.

In a follow-up that is revealing of the way in which the market operates, two more Tang wooden figures turned up in November on the stand of Gisele Croes of Brussels at the Paris Antique Dealers Biennale.

They were arguably even more beautiful and were sold at once. The prices were said to be respectively \$100,000 for a wonderful but poorly preserved female statue of which the lower part has shredded away, probably as a result of humidity, and \$120,000 for a standing figure of a court lady, hands folded over her robe. The buyers, Gisele Croes said in an interview, were a Swiss and a Belgian collector.

There is an ironical footnote to the Tang group discovery. As Mr. Lally candidly said later, the group lay in a dark corner in Hong Kong for two years, available at a fraction of the prices later paid for single pieces — no one quite knew what it was. Apparently, the doubts have now evaporated. So have the pieces.

The string of surprises in Chinese sculpture does not stop there. In June this year, Eskenazi showed a group of three terracotta statues with painted polychromy that displayed a level of sophistication and precision hitherto unknown in Tang earthenware figures, glazed or unglazed. Entirely

of June 5, the curators of the Museum of East Asian Art in Cologne, who had received the catalogue, all got excited about it.

By the opening day, they had even found a generous donor willing to step in to match the phenomenal price tag.

£800,000 or thereabouts.

They asked Giuseppe Eskenazi what evidence he had that the piece was authentic. The dealer had none, aside from what his own eyes told him, and the connection with two other caskets of related shape and decoration found in proper excavations in China.

Eskenazi submitted the casket for analysis to Burbeck College, which is part of the University of London. The gilding

was found to contain the right traces of metal mixed with the gold used for gilding at that period. Examination under an electronic microscope confirmed that the tooling marks were right, too, for a piece that was first done by casting and then by hammering into shape. Such a process is lengthy — no time limit can be set for sure — and therefore difficult for an auction house to resort to. By the end of July the transaction had been finalized, after the show ended.

Yet it is not just in resolving the problems relating to authentication that dealers find themselves in a better position.

The factor that ultimately gives them the advantage is their "eye," that hard-to-de-

Continued on Page 9

fine ability to see beauty, but one that all those who live with objects acknowledge instantly.

In June 1994, James Lally sold in the area of \$120,000

Continued on Page 9

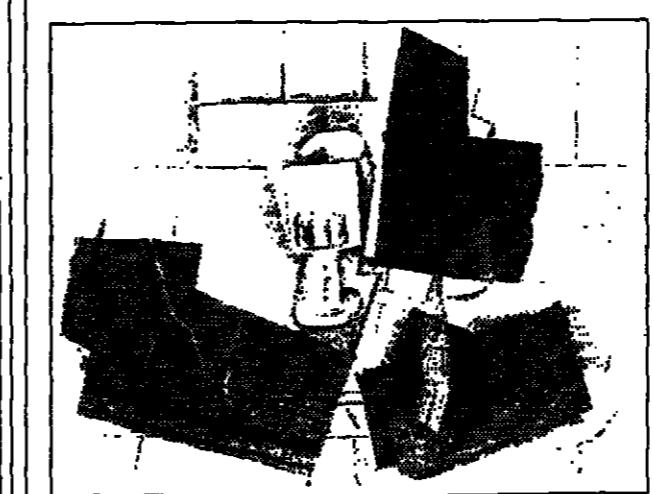
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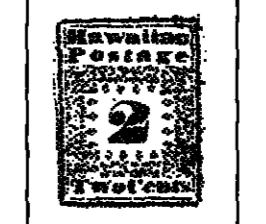
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ARTS & ANTIQUES / A SPECIAL REPORT

Collectors Still Want Impressionists, but Only the Best Works

By Souren Melikian

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By one lot could have been

NEW YORK — The market for Impressionist and Modern Art is booming, but the message is lost, drowned in the numbers of pictures unsold because they are unsaleable. Never was the fundamental vigor of a sector so clouded by the pranks played by speculators and by the excuses tossed about by auction house PR offices eager to prove that they can do no wrong.

Last spring, that vigor was repeatedly demonstrated in sales held at Sotheby's and Christie's from May 8 to 10. On May 8 at Sotheby's, 44 of the 46 pictures were snapped up by the buyers, as if nothing could quench their thirst for Impressionist and not-so-Impressionist art.

But as goods get rarer, buyers are extending their search far beyond the limits of what is "characteristic." The early phase of Picasso's work, disregarded in the early 1970s, is now treated as top-grade merchandise. Had the portrait of the artist's friend Angel de Soto, painted in 1903, in a style that is more academic than Fauve, been offered then, it might not have sold. On May 8, it brought a mind-boggling \$29,152,500.

A little later, the yearning for pictures by famous artists that can be claimed to be "important," even if they do not rank among their masterpieces, was highlighted by the \$14,852,500 paid for Matisse's portrait of a bare-breasted woman seated cross-legged, arms raised over her head, "La Pose Hindoue." While the picture may not be his greatest, it set an auction record for the artist.

True, some paintings were allowed to sell under the lowest estimates. But far from pointing to a weakness of the market, these illustrate the desperate shortage of goods for sale — in the old days they would never have been allowed in "Part I" evening auctions.

Because Sotheby's had probably committed themselves to obtain a global price, Simon de



This Picasso portrait sold for \$29 million.

must be considered miraculously well sold at \$376,500 even if this is less than the expected \$500,000 to \$700,000.

In short, the sale of the uneven collection formed by Donald and Jean Straelen was a resounding commercial success.

Because Sotheby's had probably committed themselves to obtain a global price, Simon de

Pury, while conducting the auction, had the freedom to lower reserves on the spur of the moment as individual works clearly overestimated came up and let the market follow its natural course. That night, the natural course meant instant readiness to buy anything good and willingness to pay gigantic prices at the top, matched by an instant

rejection of the daubs, of which there were quite a few.

That verdict was born out two days later when Christie's dispersed the collection of Mr. and Mrs. Ralph Colin and sold every single one of the 76 pictures and drawings for a total £34.5 million (\$22 million). Here too, records were set with works that were not the greatest within the concerned artist's oeuvre.

That was the case with Modigliani's "Nu au collier," painted in 1917, which lacks the vigor and depth that the artist managed in the next three years of his life, but sold for \$12,432,000.

Dealers bought avidly. Ernst Beyeler of Basel acquired Joan Miró's "Au Cirque," dating from 1925, for \$1,927,500, and later indulged in the pleasure of retrieving a Dubuffet, "Le gai savoir," painted between July 31 and Aug. 2, 1963, which he had sold to the Colins on Nov. 26, 1964.

Collectors were just as eager. Their keenness could be gauged by the surprising success of a superb but highly "uncommercial" Vuillard. The interior scene, done in dark tones, features the artist's own family having a meal in 1892. Austerely and rarefied, the work, which could easily have failed to find a buyer at its estimated level, was hotly disputed and sold to an American collector for more than \$1.5 million.

The pleasure of buying works out of the market for decades played its part. But, contrary to the cherished tenet of the artistically illiterate, the fact that these were "single-owner collections" was not per se a significant factor, as could be seen when the 68 Impres-

sionist paintings and drawings from the estate of Mrs. John Barry Ryan came up at Sotheby's on May 9. Of these one quarter failed to find takers.

No one wanted a confused view of Auvers painted by Pisarro in 1877. It went under at \$875,000 against an estimate improbably set at \$1,200,000 to \$1,750,000. A small oil sketch of "Le Vieux Port, Marseille" by Renoir, clearly a failed essay left lying in a corner of the artist's studio, dropped dead at \$170,000, its \$400,000 to \$600,000 estimate scornfully ignored.

Failures such as these were not remotely related to any "weakness" in the market, as is often claimed when low-grade art is bought in. Sandwiched between the spurned Renoir and the discarded Monet, another Monet landscape with the church at Vernon, painted in 1883, very pleasing but not unforgettable, edged its way up to a huge \$3,742,500.

The late June sales in London clinched the demonstration.

Never did the market appear readier to absorb any good works of the Impressionist and early 20th century schools.

Equally, its propensity to kick out the no-hoppers now being pumped into the auction circuit by owners convinced that the growing demand for good pictures warrants the upgrading of duds, was made glaringly clear.

On June 26, Christie's big brass looked crestfallen as their Part I auction ended with 31 percent of lots stranded. But looked at dispassionately, the sale could not have done better.

Ironically, the one work that

can be argued to have been

slightly undersold is the one

that pleased them the most. The

view of the Rouen cathedral done by Monet in 1894, which went up to £7,591,500 is one of the most beautiful ever in the series of cathedral facades done in changing lights. On the other hand, no connoisseur would have looked twice at most of the rejects. But with final sales adding up to over £27 million, there was no question of a shortage of cash on the market. A day later, Sotheby's topped it with a £23.1 million auction.

If 26 percent of the pictures were unsold, this is essentially because they were, indeed, utterly undesirable. Who wants to live with a kitsch picture of a peasant girl rolling her eyes as she carries on her arms a small goat, even one enhanced by Gustave Courbet's signature? That this elicited no bids is a compliment to the market.

Not that buyers are unwilling to make allowances. Sizable Gauguin landscapes of the Tahitian period have become a rarity.

"Tahitiennes près d'un ruisseau," done in 1893, suffers from an excessive expanse of green with little detail painted in, probably because it was abandoned before being finished. In an earlier age, it would have had a rough ride. Sotheby's managed to get £5.5 million for it.

In a nutshell, demand has never been so high. Supplies, now thinning to a trickle, will probably have dried up, or nearly so, within the next two decades.

The market in effect, is winding down when looked at from the cultural historian's perspective. As it does so, the better works are snatched up and the number of duds passed off as presentable pictures rises. And so does the percentage of unwanted debris.

Opening a Time Capsule Near Rome

By Roderick Conway Morris

ROME — Seven years ago, after lengthy negotiations, Prince Agostino Chigi agreed to sell his historic summer Palazzo at Ariccia, complete with its contents, to the local municipality for 7 billion lire (\$4.4 million).

Ariccia is one of the Castelli Romani, the 13 little towns that dot the picturesque, volcanic Alban hills that rise abruptly from the plain just south of

Rome. The area's lakes, vine-covered slopes and refreshing breezy climate made it a popular summer resort in ancient Roman times. During the Renaissance, popes and the Roman nobility favored the region again, building numerous villas and palaces — the most famous of which, Castel Gandolfo, is still the Pope's official summer residence.

Over the centuries, the Chigi gained a reputation for closely guarding the privacy of this retreat and when, for example, the German poet Goethe came here in 1817, he had to content himself with peering through "a little lattice gate" into the park. This secretiveness was maintained into the most recent times and turns out to have been combined with a reluctance to alter almost anything from the times when, between 1655 and 1667, the Chigi Alexander VII sat on the papal throne (during whose reign the family bought the palace in 1661, attracted, among other things, by its proximity to Castel Gandolfo).

"Even the last Principessa was very possessive about the place and so virtually nobody was allowed in," said the architect Francesco Petrucci, who is now in charge of the state-assisted 600-million lire restoration program. Mr. Petrucci wrote a

graduation thesis on Palazzo Chigi, and became an important contributor in the efforts to buy and preserve the building and its gardens.

"When I was studying the palazzo, I got to know the prince a little and did what I could to persuade him of the enormous value of leaving this legacy intact," Mr. Petrucci said. "There is no question that he would have made more money by selling off the contents piece by piece, but he had the sensibility to understand what a unique case it represented as it was."

Although repair and restoration will continue for at least a couple of years, for the first time both the park and parts of the house are now open on request to the public throughout the year (and the park without advance booking on Saturdays and Sundays from May to October next year).

Curiously an exception was once made when the palazzo's jealously guarded portals were opened for Luchino Visconti to shoot scenes for his masterpiece "The Leopard" (1963). Visconti was obsessive about authenticity and had spotted interiors here that he could no longer find even in Sicily. "The point is that the Visconti, too, were an ancient noble family and had a villa at Castel Gandolfo, so the two families knew each other," Mr. Petrucci said.

Stepping inside the palazzo is like passing through a time warp. Some rooms have their original stamped leather wall coverings, a Spanish fashion in vogue in Italy in the 17th cen-

tury (the stamps used to manufacture them have even been found stored in a lumber room). Perhaps the most charming room is the bright and airy summer dining room with its deftly frescoed walls and abundant *trompe l'oeil* bird life and rustic vases.

The preserved-in-aspic coexistence of the pious and the sexually risqué in an aristocratic household whose members were constrained by their rank to behave with decorum in public but were free in certain cases to indulge their chosen peccadilles in private is striking.

The paintings in the palazzo alone, many of which have never been catalogued, promise not only to bring to life the past personalities of the household, but also to clarify the styles and attributions of several leading artists.

It is now intended that Palazzo Chigi should become both a museum and a center of baroque studies, and a venue for lectures, conferences and concerts of music from the period.

Palazzo Chigi and its park can be viewed by appointment by applying to Mr. Di Felice at the Comune di Ariccia (tel: 06 934851).

The summer dining room in the Ariccia palazzo.

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ARTS & ANTIQUES / A SPECIAL REPORT



'A painting on the theme of Adam and Eve by Evgenii Abezgauz.'

How Dealers' Collections Gave New Life to Chinese Art

Continued from Page 7

what was the most wonderful Han object seen by this observer in the market in a decade—a huge bronze door-ring held in its mouth by a stylized mask, half tsoite, half feline. It must originally have been attached to some enormous hardwood or stone door giving access to a funerary chamber. It is very big, utterly surprising, but does not for a second raise questions as to whether it is authentic or not.

Objects of this caliber never turn up at auction these days.

There, the image of Chinese art now is, on the contrary, harmed by the mass of none-too-fine, none-too-well-preserved objects, of which some

sell and others do not. Auctions have now turned into a grand bazaar-style lottery. Auction houses cannot help it. Like the famed dinosaurs, they need a lot of grass to feed their bodies while dealers can live off a slim diet of a few superb pieces.

Some, like Jean-Michel Beurdeley in Paris, have entirely built their reputation on their discerning taste. Whether a rarity like a bronze openwork ensign of sorts of the Han period now in the Musée Cernuschi, or a pair of Han-type vases with chamfered sides that might be worth \$8,000, Beurdeley just does not have mediocre pieces. The most battle-hardened old art market warriors are receptive to such a display of objects chosen for perfection, even if the objects

are not "important."

Some newcomers to the dealing scene are also leaving their mark. In London, the Oriental Art Gallery founded in September 1992 by Roger Keverne and Ben Janssens, formerly of Spinks, and Gerard Hawthorn, is the latest success story in the field.

They cast their net far and wide, from Warring States bronzes of the 5th and 4th century B.C. to scholar's objects of the 18th and 19th century, but never so wide perhaps as in a remarkable June 1994 selling show.

Among the early pieces, a typical Keverne object was a unique model of an early Han belt hook, the extremity shaped like some mythical creature's head seen sideways, with the beak of an

eagle and the ears of a bat. It was a collector's dream. Never mind the £5,200 asking price. It sold within hours of the opening.

But one could also see objects such as an unusual pair of squat baluster covered vases in Canton enamels of the 18th century.

The floral decoration on a deep yellow ground and the shape, which betrayed a certain European influence, made the pair look like some curiosity straight out of the Grunes Gewölbe in Dresden. A Berlin collector bought the £2,000 pair of vases. At that price, their rarity and their importance to the history of the interaction between European decorative art and Chinese art in the 18th century made them a bargain.

In a nutshell, the wheel has turned full circle. In the 1970s,

auctions allowed collectors to view in one hour what would have taken months to look at in dealers' galleries. Now, going to Chinese art auctions is all too often like looking for a needle in a haystack.

The auction houses are beginning to fight back. But it will be an uphill struggle. Christie's sale of Sept. 21 in New York was seen by collectors and dealers as a financial success but it sent mixed signals. The first part, with a long title on the catalogue cover that began "The Hardy Collection of Early Chinese Ceramics, etc.," had 164 lots, of which 20 percent remained unsold, the rest adding up to \$1 million.

It impressed no one. "A couple of fine collectors divorced, each keeping the pieces they

liked best. Christie's got the rest," one dealer commented.

The "Important Chinese Ceramics and Works from an American Private Collection" that followed added up to \$2.9 million, but 30 percent of the lots found no takers.

The trade, including Eaknazi, got several of the finest pieces. It operated as a vetting committee, weeding out the dross to cream the best for an elite of collectors.

As long as this state of affairs persists, dealers will continue to leave the apparent show to the auction houses while running it for real behind semi-closed doors.

SOURCEN MELIKIAN is art editor of the International Herald Tribune.

Fairs Become Preferred Place to Sell — and to Buy

Continued from Page 7

known dealers is not so much for exposure to the United States: it is, simply, to boost sales. And sell they did. Mr. Hopkins said he sold 21 paintings ranging from \$22,000 (a Berthe Morisot sketch) to \$500,000 (a Picasso).

The fact is that fairs are becoming a new way of life for dealers. At first art fairs were chiefly seen as a highly effective response to the ability that auction houses have to attract media attention, and thus to get free advertising.

Whereas galleries are permanent fixtures, a fair is an event and, as such, worth covering. For small galleries particularly, the publicity is vital. Without the New York Fine Art Fair, dealers with limited capital but a good eye and some very good drawings like Flavia Ormond of London (who had brought a delightful portrait of a little girl in red and black chalk by Ubaldo Gandolfi), or Martin Moeller of Hamburg (who started a few years ago and has charming drawings of the 18th and 19th century), might never have received so much attention.

More importantly, however, the art fair is now emerging on a world scene characterized by dwindling supplies as the dealers' ultimate trading weapon against auction houses. Far more can be shown in an art fair than in any auction house display rooms, and to better effect. Buyers are treated to the equivalent of a super auction. Vendors are increasingly willing to let dealers have their goods on consignment in fairs, and that helps raise the quality.

They know that while failure

to sell at auction can harm their pictures — the whole world witnesses the failure — that danger does not exist at an art fair. Everybody is aware that pictures displayed at a fair may sell only over a period of months.

Some would see this process as a slow-motion auction, minus the auction hazards.

A third factor is boosting the art fair versus the auction system but also versus selling from a gallery. In a fair buyers have all the time they need to study, reflect, and seek advice.

Once a picture is reserved, no self-respecting dealer will offer it to a third party. At auction you cannot "reserve" a painting. At a given moment, the buyer must make up his mind there and then, under enormous pressure. It does not allow him to step back and take a long breath as he can in an art fair.

On the other hand, in contrast to what happens behind the closed doors of an art gallery,

where it is possible but more difficult and more embarrassing to come with an adviser, the danger in which a beginner left to his own devices finds himself is avoided in an art fair.

The beginner can send in a consultant to look at the picture — the dealer won't even know about it. Not least, the picture hanging on a stand in the fair is seen by other dealers who, among them, muster some of the best "eyes" in the art world. If there is the slightest suggestion that something is wrong, the rumor gets around. On top of the official vetting, this operates as a secondary screening. The de facto guarantee that buyers thus enjoy in such high-level fairs as the New York Fine Art Fair or the Espace Brancart Art Fair in Paris is just about the best to had anywhere.

Will the success of the fine art fair formula lead one day to a diminished role for the traditional way of selling from the

gallery? This is not inconceivable. Art lovers do not browse in galleries for hours as they used to. In the art market as in other places, time has become the most precious commodity. The battle will be won by those who offer the most in the minimum amount of time, with the best guarantees. Top art fairs seem to fit these requirements.

Dealers such as Mr. Hopkins already say that 40 percent of their business is done through fairs. For private dealers, such as licensed professionals who work from home by appointment, fairs have long been an essential outlet, the one that puts them on the map.

The novelty is that galleries

with the highest possible profile, such as Richard Green of London, who sells both Old Masters and Impressionist and Modern Masters in the top drawer category, should now play the art fair card to its utmost.

Those who used to be ultraprivate by natural inclination, like Huguette Berès of Paris, have been forced to overcome their inhibitions. They can be seen at the major Fine Art fairs — Maastricht in March, New York in May, Paris in September. If the Espace Brancart experience inaugurated this year continues,

The trend is probably irreversible. If the 1950s were the decade when the auction houses

sprinted to the front line of the art race, the 1990s might well turn out to be the decade of the art fair.

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ART

INTERNATIONAL HERALD TRIBUNE
SATURDAY-SUNDAY, OCTOBER 28-29, 1995
PAGE 10



Three of the many self-portraits Arnold Schoenberg made when he turned to painting at a crucial point in his career.

Arnold Schoenberg's Many Faces

By Michael Gibson
International Herald Tribune

PARIS — Although Arnold Schoenberg was acknowledged by his peers as one of the major young talents of his day, starting in 1907, at the age of 33, he went through a life crisis in relation to his art, his social position and his personal life. It was then that he turned to painting — an art he practiced quite intensively for several years and never entirely gave up.

The revealing little exhibition of 70 paintings and drawings at the Musée d'Art Moderne de la Ville de Paris (to Dec. 3), provides an unusual insight into a critical phase in the history of Western culture and of the composer's own creative life.

Schoenberg had just begun venturing into the terra incognita of nontonal composition and his new work had been received with outrage. He was not sure of where he was going and he had not yet elaborated a theory to steer by — that would only come much later, in the '20s.

Meanwhile the surprising — almost terrifying — novelty of his music had completely cut him off from contemporary audiences. He was frequently and viciously attacked in the press which published numerous caricatures of him, many of them viciously anti-Semitic.

Nor did the man's intransigent character sit well with his colleagues. All this made it increasingly difficult for him to provide for his family. Casting about for other ways of

earning money, he thought for a while that painting might be the answer.

The family crisis arose out of his friendship with Richard Gerstl. A gifted young painter nine years his junior, Gerstl had approached Schoenberg in 1906 to paint his portrait. Schoenberg accepted.

In the summer of 1908, Schoenberg caught his wife Mathilde in bed with Gerstl. They both immediately left the house. The composer threatened suicide. His pupil Anton von Webern, acting as mediator, persuaded Mathilde to return to her husband. A few months later, Gerstl, seated before a mirror in his studio with a rope around his neck, drove a knife through his heart. His death haunted the composer for many years.

Schoenberg — self-taught even in music — was an extraordinarily gifted man with the highest possible idea of his calling. He perceived himself, potentially at least, as a genius. In other words as a man who sees the future; in effect a prophet. As can be seen from his self-portraits, and from works evolving out of this form which show only staring eyes in an abstract space, this matter of vision is of supreme importance. The eyes here is clearly a symbol for the spiritual insight Schoenberg knew was his right.

His paintings have an obvious amateurish awkwardness about them. The hand failed to keep up with the idea. But they also reveal they man's fierce intensity, his anxiety, his burning desire to bring forth a new world. What the self-portraits also reveal is

the poignant efforts of an exceptional personality, assaulted on every side, uncompromisingly striving to define himself in his prophetic capacity as he looks critically at his reflection in the mirror.

One of the more affecting self-portraits (painted in 1911) shows the composer walking away from the viewer, stoop-shouldered, bald, hands joined behind his back and holding a cane (the rod of Moses, no doubt), stumbling stubbornly down the murky street of his own time. Small, almost unnoticeable sparks dance about his head.

MANY OF THE PAINTINGS evoke a mood — often a dark and haunting one: dark streets, somber sand dunes, a shapeless obscurity — precisely the sort of world in which only a selfless seer with burning eyes can hope to find his way.

In 1911, Schoenberg received an unexpected letter from the painter Vassily Kandinsky who had recently attended one of his concerts: "Our aspirations and our ways of thinking and feeling have so much in common," it declared.

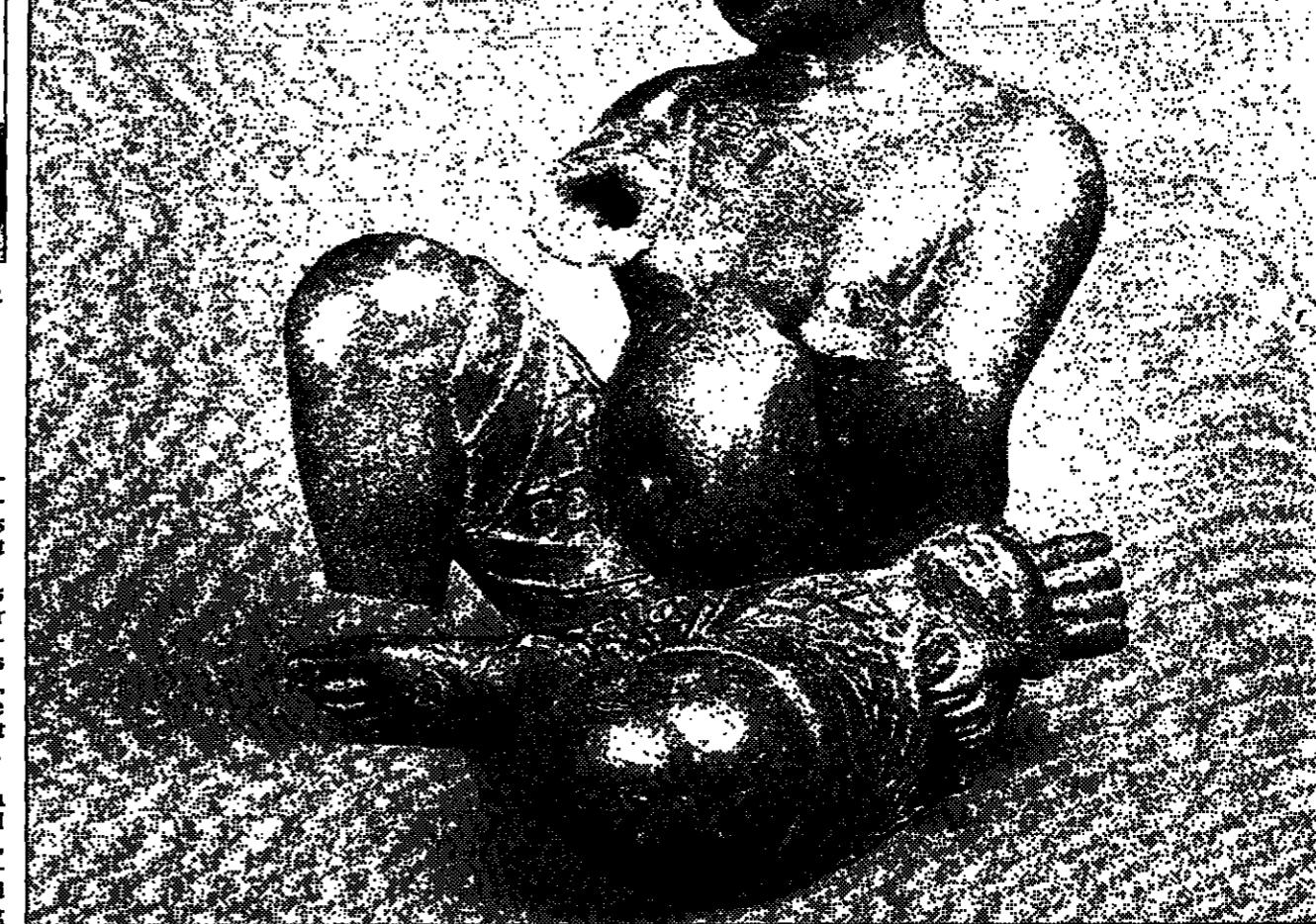
It was the beginning of a friendship.

Kandinsky also praised Schoenberg's paintings: "Schoenberg deplores his 'defective technique,'" he wrote. "Schoenberg is wrong — he is not dissatisfied with his pictorial technique but with his inner desire, with his soul from which he demands what it cannot give him. This is a dissatisfaction I would wish every artist — for all times."

It was the beginning of a friendship.

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In London, The Riches Of Africa



A bronze seated figure from the 13th or 14th century is one of the African masterpieces on show in London. Laguna Masters

By Alan Riding
New York Times Service

LONDON — The Royal Academy of Arts heard all sorts of reasons for not organizing its new exhibition, "Africa: The Art of a Continent." The show would revive the debate about whether work done by African craftsmen was really art. It was certain to remind people that after centuries of plundering, much of Africa's best art is no longer to be found in Africa. And there was the big question: By tackling an entire continent, was not a former colonial power once again "talking down" to Africa?

But the Royal Academy went ahead anyway. This exhibition, which was organized as the central event of a three-month festival of African arts in Britain called Africa 95, presents 830 examples of the artistic legacy of hundreds of African tribes, dynasties and subregions from prehistoric times until early this century.

It has been hailed by British critics as a turning point in the West's understanding and recognition of African art.

Until now, African pottery, wooden carvings and textiles had been viewed essentially as handicraft because, it was argued, the religious, military, sexual or decorative functions of the works suggested that they had not been created as art, to be appreciated for their own sake.

Even after "primitive" African art inspired Picasso, Brancusi, Braque, Modigliani and Henry Moore earlier this century, it was its magical and mystical quality that counted most. But at the Royal Academy, objects made by African hands are separated from their cultural context and can be judged simply as art. "This is great art, all of it, and this is one of these rare exhibitions that change perception and understanding forever," William Packer wrote in the Financial Times. "We shall never look at African art in our old innocent, patronizing naïveté again."

The exhibition, which runs through Jan. 21 and will travel to the Guggenheim Museum in New York in June, states its case by opening with an ax found in Olduvai Gorge of Tanzania. Estimated to be one and a half million years old, this is the oldest known object shaped by man. Seven sections follow, dealing successively with ancient Egypt, East Africa, Southern Africa, Central Africa, West Africa, the Sahara and Northern Africa.

The show includes pieces that have long been appreciated outside Africa: the terracotta Lydeking heads from South Africa, which have been dated between A.D. 500 and 700; power figures, known as nail fetishes, from Central Africa; the Benin bronzes from Nigeria, many of them three centuries old. But a good number of the objects have never been displayed before or were found in private collections in France, Britain, Belgium and Germany (Africa's main colonial powers) or discovered in dusty storerooms in European museums. Only about one-quarter of the pieces were brought from African museums.

What gradually overwhelms the visitor is the variety of styles and materials (wood, bronze, clay, ivory and stone) and the sheer versatility of the artists.

At times it is impossible not to see near-abstract wooden and stone carvings of human figures through Western eyes, especially when confronted by the African originals of the masks and columns later made by Picasso and Brancusi. But invariably these works suggest a dimension of mystery, imagination and even mischief that goes beyond what the eye can see.

A red quartzite female torso made in Egypt around 1350 B.C., her body visible through a delicately carved veil tied neatly under one breast, is profoundly sensual. A wooden body mask in the shape of a woman's chest and stomach, made in Mozambique in the late 19th century, is realistic to the point of carrying ritualistic tattoos.

ASIX-HEADED healing figure from Zaire looks out for evil in all directions. And a delightful array of wooden headdresses shows that even the business of protecting a complicated coiffure can be turned into art. But the sheer sweep of the exhibition has raised some questions.

"One senses overweening vanity behind this exhibition, irresponsibility and fundamental ignorance," sniped Brian Sewell, the Evening Standard's art critic. Yet even he concluded that the exhibits "tell of awe, ceremony and rite, of beauty and cultivated eye, of humor, tenderness and pleasure, of societies that came of age and declined." In fact, only one reviewer, Simon Jenkins, a political columnist, refused to regard the works as art. "They look exotic, exciting, colorful, but primitive," he wrote in the Times of London. "But we are not supposed to say that."

BOOKS

THE PILLARS OF HERCULES:
A Grand Tour of the Mediterranean
By Paul Theroux. 509 pages. \$27.50.
Futura

Reviewed by John Ash

LIKE a lot of people, I don't travel as I'd like. Reading travel books is a good way of making up for this, especially if you are reading about places you are never likely to visit, but it can be equally fascinating to read about places you know well. It can often happen that the writer seems to be describing a place on another planet.

With this in mind, I turned immediately to the section of "The Pillars of Hercules" that deals with Turkey. I was richly rewarded.

Approaching Istanbul on the cruise ship the Seabourn Spirit from the southwest, Paul Theroux describes the city's skyline, and then announces impressively: "We had crossed the Golden Horn." Well, no, we hadn't. We couldn't have. The Golden Horn is on the far side of old Istanbul. It is a narrow inlet crossed by three bridges. One of these is the Galata Bridge, and very soon Theroux tells us: "I walked down to the Asian side of the Galata Bridge and looked for the Seabourne Spirit on the quay at Kadikoy."

This is deeply confusing: There is no "Asian side" of the Galata, which crosses

from one place in Europe to another place in Europe. Kadikoy, however, is in Asia, so where was Theroux exactly? Clearly, he travels intuitively, disdaining maps and guidebooks.

Theroux writes very well, however, so I set aside my misgivings. I hurried on with him to Syria, where he told me that he took a bus to Qal at Saman, the stupendous 5th century shrine of Saint Simeon Stylites. I looked forward eagerly to his description of its great octagon, its four radiating basilicas, its baptistery and so on. But concerning these things Theroux had nothing to say. He took the bus, offered a few generalizations about pilgrimages and shrines, and then took the bus back.

By now I was thoroughly baffled, so I decided to start again at the beginning. On page 44, I found an explanation: "My lowest points were visiting churches and ruins." Theroux is entitled to his preferences, but it might have occurred to him or his publishers that someone who is averse to churches and ruins is less than ideally equipped to write a book about the Mediterranean.

It is perhaps not surprising that Greece should be a nightmare to such a person, but even so Theroux's one-sentence dismissal of that country and its entire people fairly takes the breath away: "The whole of Greece seemed to me a cut-price theme park of broken marble, a place where you

were harangued in a high-minded way about Ancient Greek culture, while some swarthy little person picked your pocket."

Theroux is famous for his curmudgeonly verve, but this is not that. It is famous and ugly.

It is probably inevitable that a book that tries to cover the entire Mediterranean coastline should occasionally lapse into superficiality and irritability, knee-jerk judgments. When the subject is Torremolinos or Corfu this hardly matters, but when Theroux turns his attention to the wreck of the former Yugoslavia it becomes seriously damaging. He asserts (twice) that the proudly Orthodox Serbs are Protestants, and claims that the beautiful Ottoman bridge at Mostar was "blasted apart by mindless Serbian artillerymen." I am no admirer of the Serbs, but it was the Bosnian Croats who were responsible for this. Readers surely have the right to expect a travel-writer to be reasonably well-informed about the regions he is traveling in.

Nonetheless, his picaresque narrative is studded with scenes that stick in the mind. He excels in the depiction of certified hell-holes: the Costa del Sol in driving rain, Albania with its hordes of shrieking beggars, pervasive filth, burnt-out factories, and insane profusion of concrete bunkers.

John Ash, the author of "Byzantium," wrote this for The Washington Post.

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Pearson and MAI Win Bid For 5th British TV Station

Compiled by Our Staff From Dispatches

LONDON — A group led by Pearson PLC and MAI PLC won a 10-year license to run Britain's fifth television station because of the quality of its programming.

The group bid £22 million (\$34.6 million) for the new television station, Channel 5, which will start Jan. 1, 1997, and will cover 70 percent of Britain, or 16 million homes.

The consortium vowed to become profitable by wooing viewers with alternative programs.

"We think we have a real alternative to offer," said John Hambley, a director of the Channel 5 Broadcasting consortium.

The Channel 5 group also includes Cie. Luxembourgeoise de Télédiffusion, or C.L.T., and Warburg, Pincus Ventures, a U.S.-based private equity investment firm.

The Independent Television Commission's decision surprised many industry observers who had expected UKTV, the highest of four bidders, to win.

But Sir George Russell, ITC chairman, said the commission rejected bids made by UKTV, which was led by Canadian broadcaster CanWest Global Communications Corp. and by Virgin Television, led by Richard Branson's Virgin group, for failing to meet program quality standards.

The fourth bidder, New Century, a group including satellite television broadcaster British Sky Broadcasting and Granada Group of Britain also passed the quality standards.

But New Century's bid was £2 million a year, compared with UKTV's bid of £36.26 million, while Channel 5 and Virgin each made bids of £22 million.

Mr. Russell said the ITC based its final decision on the highest offer of the two qualifying bids.

The news lifted shares in Pearson by 4 pence, to 630 pence.

UKTV and Virgin TV separately expressed disappointment over the ITC decision. Each group said it would review the decision and assess its options. (Bloomberg, Reuters)

Aerospatiale Warns of Job Cuts

Bloomberg Business News

PARIS — Aerospace, the French aerospace concern said Friday its work force needs to be trimmed by about 10 percent, or 3,100 employees, as France slashes military budgets and a weak dollar hurts jet sales.

Aerospatiale made the announcement at a meeting of its works council, which includes representatives of unionized employees.

The state-owned company, which makes airplanes, helicopters, missiles and satellites, said that the oversupply was in its space and defense, missile, and airplane businesses.

U.S. defense companies, hungry for business as U.S. military budgets have shrunk, have in recent years stepped up their campaigns to sell

military hardware in foreign export markets, notably the Middle East and Southeast Asia.

And the French government, desperate to make spending cuts to bring public deficits down, is targeting defense as one area for cuts.

René Galy-Dejean, a French member of Parliament in charge of defense issues, said that he expected about 50,000 job cuts in the next two years in the defense industry, which employs about 200,000 people.

The French government has already had to postpone or cancel orders for helicopters, missiles, and fighter jets.

Many defense and aerospace companies in Europe have been hurt by the relative weakness of the dollar to European currencies.

Prosecutors Expand Frankfurt Trading Probe

Compiled by Our Staff From Dispatches

FRANKFURT — The investigation of a specialist broker accused of backdating stock trades to create instant profits is likely to lead to the prosecution of other floor dealers on similar charges, a prosecutor said.

Job Tilmann, an official with the prosecutor's office in Frankfurt, said the probe into a 30-year veteran floor specialist, one of 42 who set prices on the floor of the Frankfurt exchange, has turned up evidence of similar abuse by other brokers.

"It is expected that this case will lead to the prosecution of other floor dealers," Mr. Tilmann said.

"At least one and possibly several are involved," he added. "It is also possible that we will extend the insider probe to other dealers."

The investigation was initiated by the year-old Federal Supervisory Agency for Securities Trading, which was created as part of a change in German law last year that has made insider trading a crime.

Prosecutors have not yet identified the broker who was suspended by the Frankfurt ex-

Gazprom Courts Foreign Firms With Bond Offer

Bloomberg Business News

LONDON — Gazprom, the world's largest natural gas company, said Friday it was near agreement with foreign energy companies who want to buy bonds convertible to shares of the Russian company to raise cash for gas projects.

Talks with the energy companies, which were not identified, are "at a critical phase now, although no deal has been signed yet," said Philip Lambert, head of the investment banking team at Kleinwort Benson Ltd., which is advising Gazprom on the sale.

The bond sale is part of Gazprom's plan to sell 9 percent of the company to foreign investors. The Russian government holds 40 percent of Gazprom and Russian investors, who cannot sell to foreigners, hold 50 percent.

Gazprom, valued at about \$27 billion on the Russian market, is leaning toward the sale of bonds convertible to London-listed shares in three years rather than an outright sale of stock, Yergenya Selikhova, a board member, said through an interpreter.

Ms. Selikhova, who was attending a conference in London, declined to say how much the company hoped to raise or when the bonds would be sold.

Gazprom, which accounts for 28 percent of Western Europe's gas consumption, postponed an earlier plan in March to sell shares in the company to selected investors, including Royal Dutch/Shell, BASF AG, Ruhrgas AG and British Gas PLC.

Part of the delay in reaching agreements has been determining how much Gazprom is worth. The company hired accounting firm Price Waterhouse to conduct an audit, although complete financial accounts will not be available until 1997.

That has not reduced interest by energy companies looking to establish or expand links to Europe's biggest gas exporter, which is expected to get even bigger because it has access to reserves that dwarf those elsewhere in the region.

The bond sale may not involve the entire 9 percent, leaving some stake in the company for a later sale of shares to selected investors, Ms. Selikhova said. The money would be used to pay for development of Siberian gas fields, she said.

Munich Re To Issue New Stock

Bloomberg Business News

MUNICH — Munich Re, the world's largest reinsurer, said it would raise 580 million Deutsche marks (\$416.3 million) in new equity to maintain its competitive position globally.

"We want to set a signal that we are ready to make strengthened efforts," Jörg Schneider, a company spokesman said.

Munich Re, which is officially called Münchener Rückversicherungs-Gesellschaft AG, will sell shares to existing shareholders at the ratio of one new share for 11 existing shares. Each share will cost 800 DM, compared with the market price of 2,960 DM.

In addition to the 689,410 partially paid registered shares included in the rights offer, Munich Re will sell 10,590 shares at market price. Altogether, the sale is expected to raise about 580 million DM.

The sale will raise Munich Re's nominal capital by 70 million DM, to \$13.35 million DM.

Foreign regulators do not recognize the hidden reserves that strengthen Munich Re's capital base, Mr. Schneider said, and therefore the company is seeking to strengthen its published capital.

Consolidated net profit for the reinsurer was 300.2 million DM in financial 1994.

Bank Profit Rises 5%

Bayerische Vereinsbank AG said Friday that operating profit rose 5.3 percent in the first nine months of 1995, to 872.6 million DM, as demand for mortgage lending buoyed sluggish credit income.

Mr. Schneider, the bank's chief executive, said he expected a lower rate of growth in the second half than in the first.

Prudential Corp. of Britain was reported to have said it would invest as much as \$100 million in China in "the near future," after it gets a license to sell insurance there.

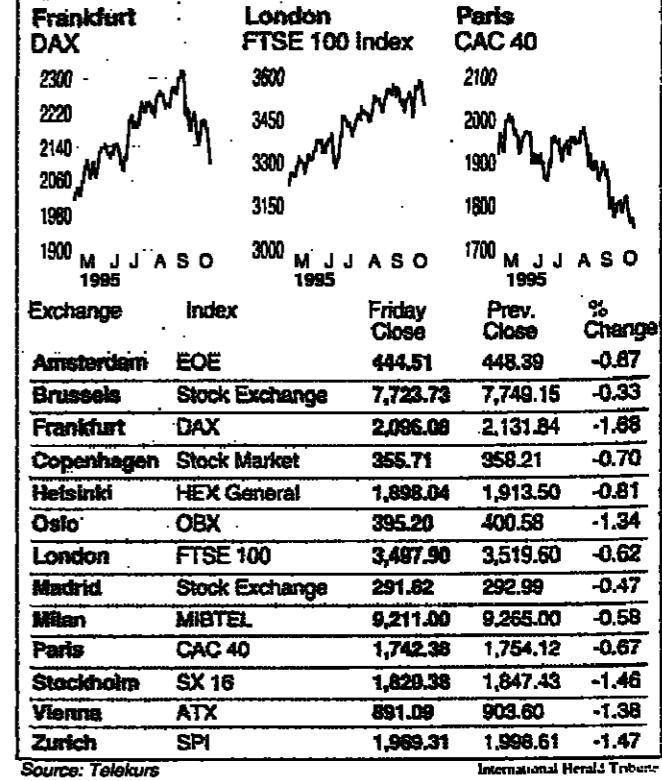
Acerinox SA of Spain said rising demand for stainless steel and steady raw material prices helped net profit jump 200 percent in the first nine months, to 26.35 billion pesetas (\$216 million); revenue rose 33 percent, to 148.61 billion pesetas.

Banco Central Hispano SA said nine-month net profit dropped 30 percent, to 22.74 billion pesetas (\$186.36 million), and the bank's shares closed 35 pesetas lower, at 2,515 pesetas.

Asea Brown Boveri AB, an arm of the Swiss-Swedish electrical-equipment giant ABB, Asea Brown Boveri Ltd., is to appoint Anders Narvinger as president and chief executive officer next March. He replaces Bert-Olof Svanholm.

Daimler-Benz Aerospace AG workers staged a half-day strike and demonstrated to protest a restructuring plan which includes 8,800 job cuts by 1998. (AFX, AP, Bloomberg, Reuters.)

Investor's Europe



Source: Telokurs International Herald Tribune

Very briefly:

Ferruzzi Finanziaria SpA's shares were buffeted by takeover rumors again on the Milan bourse; after rising 24 percent at the opening bell, the shares ended the day down 10 percent, at 1,290 (80.7 cents). The stock rose 32 percent this week.

The European Union statistics office said the annual inflation rate in the 15-country bloc rose to 3.1 percent in September, compared with 3.0 percent a year ago.

Union Minière SA, the Belgian non-ferrous metals company, is launching a three-year restructuring plan involving investments of 22 billion Belgian francs (\$767.4 million) and job losses of 1,618 in Belgium and 212 in France.

Reuters Holdings PLC said revenue in the third quarter rose 15 percent from the same period a year ago, to £677 million (\$1.07 billion); Peter Job, the news and information company's chief executive, said he expected a lower rate of growth in the second half than in the first.

Prudential Corp. of Britain was reported to have said it would invest as much as \$100 million in China in "the near future," after it gets a license to sell insurance there.

Acerinox SA of Spain said rising demand for stainless steel and steady raw material prices helped net profit jump 200 percent in the first nine months, to 26.35 billion pesetas (\$216 million); revenue rose 33 percent, to 148.61 billion pesetas.

Banco Central Hispano SA said nine-month net profit dropped 30 percent, to 22.74 billion pesetas (\$186.36 million), and the bank's shares closed 35 pesetas lower, at 2,515 pesetas.

Asea Brown Boveri AB, an arm of the Swiss-Swedish electrical-equipment giant ABB, Asea Brown Boveri Ltd., is to appoint Anders Narvinger as president and chief executive officer next March. He replaces Bert-Olof Svanholm.

Daimler-Benz Aerospace AG workers staged a half-day strike and demonstrated to protest a restructuring plan which includes 8,800 job cuts by 1998. (AFX, AP, Bloomberg, Reuters.)

AMEX

The top 300 most-active stocks, up to the closing on Wall Street.

The Associated Press

Stock Sales High Low Last Chg

NYSE

Friday's 4 p.m. Close

Friday's 4 p.m. Close
Nationwide prices, not reflecting late trades elsewhere
The Associated Press.

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THE WORLD'S DAILY NEWSPAPER

THE WORLD'S DAILY NEWSPAPER

Continued on Page 16

هكذا من الاصناف

ASIA/PACIFIC

Malaysia Budget Aims to Cool Off 9.6% Growth

Compiled by Our Staff From Dispatches

KUALA LUMPUR — Malaysia unveiled a budget Friday designed to slow the country's annual growth rate of nearly 10 percent.

The 1996 budget presented to Parliament by Finance Minister Anwar Ibrahim includes an increase in the mandatory pension contribution and sharp restrictions on property purchases by foreigners.

But the minister also proposed cutting personal income tax rates by 1 to 2 percentage points.

The Finance Ministry said in its annual report on the economy Friday that growth was running at 9.6 percent for the year, exceeding a central bank forecast of 8.9 percent.

The current account deficit was also accelerating, at 18.14 billion ringgit (\$7.19 billion) against 10.99 billion ringgit in 1994.

Most economists use the cur-

rent account deficit, rather than consumer inflation, as the chief measure for overheating in the Malaysian economy.

Mr. Anwar said the government might reschedule some infrastructure projects, including a new airport, the Bakun dam and an office complex in central Kuala Lumpur.

"In order to avoid the large impact arising out of imports for the simultaneous implementation of big projects," he said, "the government is in the process of examining the megaprojects."

He also urged measures to curb spending. The budget proposes a 1 percentage-point increase in the 10 percent contribution employees must make to a pension fund. It also calls for raising the minimum monthly payment on credit-card debt to 15 percent from 10 percent and the road tax for passenger cars with engines larger than 2 liters by 25 percent.

Mr. Anwar announced a 100,000-ringgit levy on real estate purchases by foreigners and proposed raising the short-term property gain tax to 30 percent from 20 percent.

The ministry said if the budget were enacted, growth would slow next year to 8.5 percent and the current account deficit would fall to 17.1 billion ringgit.

"The figures look good on paper," said Yeoh Keat Seng of Crosby Research Malaysia Sdn. "The question on the mind of investors is whether they are achievable."

To encourage competition among domestic producers and ease supply constraints, Mr. Anwar announced lower import duties on more than 710 items protected for the past 10 years.

He also said duties would be abolished on raw materials and equipment used for manufacturing, including food-preparation items, textiles, precious stones and generators.

He said the levy on foreign workers would be doubled to reduce reliance on them.

(Reuters, Bloomberg)

Lion King' Thunders In China

Bloomberg Business News

SHANGHAI — "The Lion King," the Walt Disney Co. animated film, earned about 30 million yuan (\$3.6 million) at the Chinese box office this summer. But most of the profit went to China, the company said.

"Our net result is extremely low," a Disney official said. "Still, we're very happy with the result. We just want to seed the garden."

Disney said its take was cut by high taxes, as well as advertising and the cost of making movie prints.

(Reuters, Bloomberg)

Mobil Taps Kazakhstan Company Closes In on 'New Frontier'

By Daniel Southerland
and Thomas W. Lippman
Washington Post Service

Mobil Oil Corp. is negotiating to buy a multimillion-dollar stake in one of the world's big oil fields in Kazakhstan, a former Soviet republic on the Caspian Sea, according to Kazakh officials.

The bid, which is expected to be successful, would make Mobil Corp., based in Fairfax, Virginia, a leading player in the high-stakes struggle to tap some of the world's largest remaining oil reserves and then bring them to Western markets. This would be an aggressive move for Mobil, which has tended to move more cautiously than some of its international counterparts in exploring high-risk "new frontier" areas.

The 40-year investment in Tengiz, a "super-giant" oil field near the Caspian Sea, eventually could cost participants a total of \$20 billion to develop, making it the largest investment of any kind in the former Soviet Union. The investors include Chevron Corp., which holds a 50 percent stake in the project, Kazakhstan and now possibly Mobil.

Although Mobil has reached "agreement in principle" with Kazakhstan, details of the deal, including Mobil's share, are still being discussed, Kazakh officials said. Mobil spokeswoman Gail Campbell Woolley said she could not comment on the possibility of a deal.

Mobil's chief financial officer, Thomas C. DeLoach, said Thursday that Mobil was "looking at Tengiz," but he gave no details.

President Nursultan A. Nazarbayev of Kazakhstan said Russia and Kazakhstan, along with Mobil and Chevron, were discussing a possible new arrangement to build a pipeline to ship oil across Russia to the Black Sea. Under the plan, Kazakhstan, which holds a 50 percent

stake in the Tengiz field along with Chevron, would sell part of its shares to Mobil.

"This would make Mobil the No. 2 player in Kazakhstan, just after Chevron," said Bijan Sepasy, executive vice president of the U.S.-Kazakhstan Council in the District.

An industry source, who did not want to be identified, said Mobil planned to buy a share amounting to at least half of Kazakhstan's holding in the Tengiz field. That would give Mobil a share of at least 25 percent in the oil field, which could yield as much as \$5 billion a year in revenue if it reaches peak production.

The United States has taken the position that Tengiz and other projects following it in Central Asia will help provide more sources of oil to Western countries, which now depend heavily on imports from the Middle East.

U.S. officials say that oil exports from Tengiz and other fields in the region are of strategic importance because they could help countries such as Kazakhstan and Azerbaijan maintain a degree of independence from Russia.

"Mobil is a very sophisticated company, and you can be sure that they're not going to get drawn into a bum deal in Kazakhstan," said Michael L. Mayer, an analyst with Schroder Wertheim & Co. in San Francisco. "The transportation and pipeline issues involve some risk, but Chevron's been there for years, and the resources are well known."

■ **Saudi Arameo Considers Asia**

The president of Saudi Arabian Oil Co., Abdallah Jum'ah, said Friday the company was considering building petroleum refineries in China and India, Bloomberg Business News reported from Manila.

"We are looking at the Asia-Pacific region in general, because this is where the growth is going to be," Mr. Jum'ah said. "For now, we are looking seriously at China and India for our next investment in Asia."

Lai Gives Up Control of Giordano

Compiled by Our Staff From Dispatches

HONG KONG — Jimmy Lai, the publisher who has angered Beijing with outspoken criticism, is relinquishing his controlling stake in Giordano International Ltd., the clothing retailer he founded.

Mr. Lai said Friday he had placed 40 million of his own shares in Giordano with institutional investors.

The shares are being sold at a discount to Giordano's share price. They will be sold to in-

situational investors at 6.25 Hong Kong dollars (81 cents) a share. The company's shares were suspended Friday and last traded Thursday at 6.50 dollars.

In addition to Mr. Lai's shares, Giordano sold 100 million shares to the public on Friday and 70 million new shares.

Mr. Lai's stake in the retailer was reduced to about 27 percent from 37 percent. "I will lose control totally," Mr. Lai said.

Mr. Lai said he hoped that giving up his control of Gior-

dano would help both it and his privately owned Hong Kong media businesses.

He said that under the placement agreement he would not sell any more Giordano shares for six months.

Mr. Lai resigned as head of Giordano a year ago after he criticized Prime Minister Li Peng of China in his Next Magazine.

The government then closed a Giordano store on Beijing's busiest shopping street. (Bloomberg, Reuters)

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NASDAQ

Friday's 4 p.m.

Friday's 4 p.m.
The 1,000 most-traded National Market securities in terms of dollar value, updated twice a year.
The Associated Press

The Associated Press

NYSE

Friday's 4 p.m. Close
(Continued)

مكتبة من الأصل

FIRST COLUMN

Measure Managers By Inflation

There are those of us who know exactly how to fix anything that goes wrong with the car. We are the brave for whom other people's mechanical nightmares present no problem. The solution is simple: We just call up the garage, and then we write a check.

There are those who apply the same logic to the world of finance. What they want to do is have the benefit of someone else's expertise. Their strength is that they recognize their own weakness. Rather than dabbling in something they don't understand, they happily pay a professional to do the job properly.

Which is all fine and good — provided that the professional does a good job. And here various tests of competence come into play. If you use fund managers, on what criteria should they be judged?

Some say that good fund managers should be able to outperform the market average. Others argue that, because market barometers do not have to pay the trading costs that funds must bear, the comparison is unfair. Probably, given that fund managers hold themselves out as being expert investors, those who expect them to beat an index have the better of the argument.

Other measures of fund managers' competence include relative benchmarks such as being "best in sector." Beware of this accolade. It means better than other managers touting the same kind of fund (equity growth, fixed interest, international equity, and so forth). It means better — which is not the same thing as good.

And the ultimate test of good performance has to be inflation. If your investment, after charges, has beaten inflation you can hardly be said to have lost money — even if you haven't made as much as your money manager.

M.B.

Investment Funds: As Good for Customers as for Managers?

By Rupert Bruce

WHEN one fund manager, George Soros, is reportedly the second-best-paid man on Wall Street, and Fidelity Management & Research, the mutual fund company, reports annual profits of \$315 million, you can be sure investment management is a highly profitable business. But you cannot be certain fund investors are getting value for their money.

In recent years, this question has been raised by fund management companies promoting cheap no-frills funds that merely track stock market indexes and make a virtue of their low charges. But even so, their assertions are limited to comments about the fees charged by managers of rival equity mutual funds, and they hardly concern themselves with bond funds, cash funds and so forth.

In many instances, investment funds give bad value for money. Whether or not this is the case depends on many factors. Obviously, the performance of the fund and the level of fees are critical. But also the size of an investor's portfolio and his level of financial expertise have a bearing.

According to Gregory Connor, director of research Barns International, the chief purpose of investment funds is providing diversification.

"We know diversification reduces risk," he said. "The standard order of magnitude is you need 20 to 50 securities to get a reasonable risk reduction level. The level of risk reduction tapers off after 50 securities." Mr. Connor added that a professional manager can further reduce risk by investing in equities across a range of industries, company sizes, and investment yields.

Because stockbrokers have minimum charges, for many small investors it would be prohibitively expensive to buy the 20 stocks necessary to get the full benefit of diversification. Furthermore, they may lack the expertise necessary to spread their holdings across stocks from different industries, of varying yields and sizes. By Mr. Connor's logic, it makes sense for small investors to buy investment funds.

But many wealthy investors have large enough investment portfolios and are sufficiently well versed in finance to consider buying equities directly, rather than through a fund. With discount brokers on the increase around the globe and some — like National Discount Brokers, which is based

in the United States — having minimum fees as low as \$25, a portfolio does not have to be big to become as cost-effective as a fund with a so-called load fee.

Load fees vary from 3 percent to 5 percent. By way of comparison, the acquisition of a small portfolio of 20 stocks would cost \$500 at National Discount. That is the same as a 3 percent load on an investment of \$16,666 in a mutual fund. In practice, there are other ongoing transaction costs, but investment funds charge fees of 0.75 percent to 1.5 percent a year for these and in some cases take further costs from the funds. It would seem fair to say that for investments of more than \$50,000, mutual funds that charge load fees plus annual management charges — and refuse to reduce them for sizable investments — are an expensive option.

The only way that the more expensive groups can justify their level of charges is by demonstrating that their fund managers tend to pick portfolios of stocks that beat the stock market indexes over time.

Mary Blair, executive director of Fidelity Investments International, makes just such an assertion.

"I would say that the evidence shows that there are groups that over long periods of time do consistently outperform the index," she said.

Fidelity's flagship, the Magellan Fund, has done just that. In six of the past 10 years, it has beat its S&P 500 benchmark index and in aggregate it has outperformed by a considerable margin over that time.

But funds such as this are few and far between. "The usual finding," Barra's Mr. Connor said, "is that, on a net basis, funds underperform the indexes because they have management fees and transaction costs. There are definitely exceptions. There are a number of funds like the Magellan that have outperformed over the long term."

Some of the funds best known for beating the indexes over the long term are also the most expensive. This group of funds, loosely called hedge funds, is based in the United States and the offshore financial jurisdictions. The funds often attract the most ambitious and talented money managers, who are aware of the high fees they can charge. Mr. Soros' flagship Quantum Fund, for example, charges an annual management fee of just 1 percent but also takes 15 percent of any gains it makes for investors. With a 35 percent compound annual return net of fees since inception in 1969 its investors do not complain.

COSTS OF INVESTING
Pages 19, 20
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George Van, of Van Hedge Fund Advisors, says the average hedge fund has outperformed the average American stock mutual fund during the past five years.

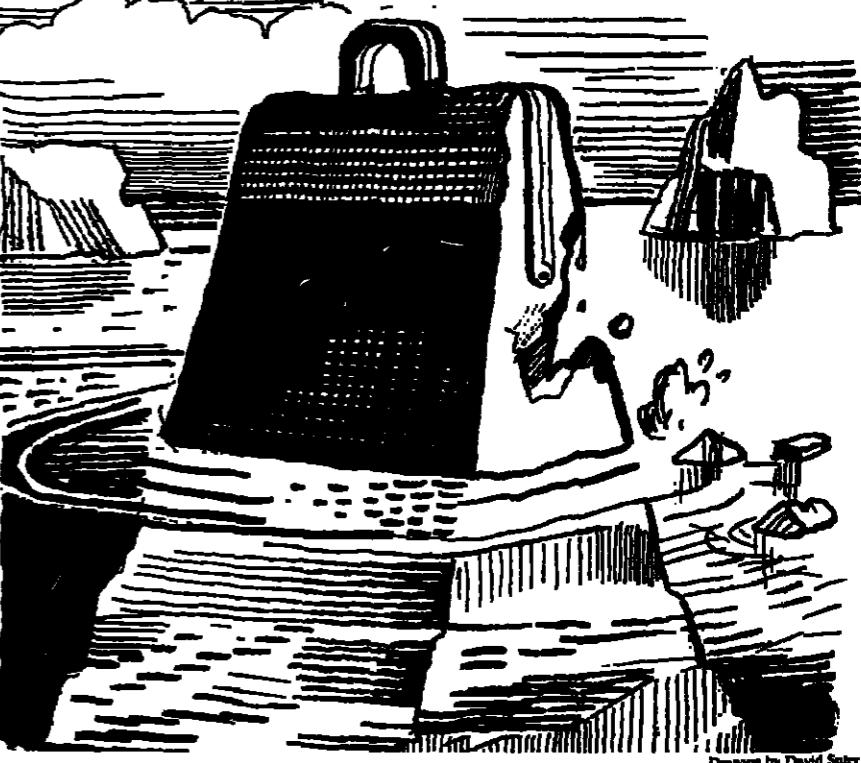
But he concedes that not all hedge funds are worth the money.

"It all depends on the fund you are in," he said. "Hedge funds, like mutual funds, have a universe in which many beat the average and many do not measure up to the average. The difference is that respect between hedge funds and mutual funds is that mutual funds are far more heavily regulated. Therefore hedge funds have the opportunity to do a lot better and to do a lot worse."

At the other end of the risk and cost spectrum are bond mutual funds, which are designed primarily to pay investors a regular income from low-risk fixed-income investments. The fees on some of these low-risk, low-return vehicles are so high that it is hard to see why investors buy them rather than just investing in a spread of government bonds. Some of the mutual funds run by Kemper Financial Services, for example, have an annual fee of just 0.5 percent but a load fee of 4.5 percent. That compares very poorly with the \$5 that National Discount charges for a \$1,000 order.

Robert Schumacher, chief fixed-income portfolio strategist with Kemper, argues that individuals dealing through discount brokers will not be able to buy or sell at nearly such good prices as Kemper. But still, the difference would need to be extreme. He also contends that some of Kemper's higher risk vehicles need active management.

This last point rings true. The higher the risk of a portfolio of investments, the more opportunity there is for managers to boost returns. Successful managers of high-risk funds like these can easily earn their fees. Managers of low-risk, low-return funds, however, have no excuses for high charges. If their prices are not comparable with the cost of buying securities direct, their funds are not worth the money.



Drawing by David Salter

Investing Via a Discount Broker

Transaction fees charged by National Discount Brokers

SECURITIES		MUTUAL FUNDS	
Nasdaq Equities	\$25 flat fee*	Funds with no transaction fees (subject to change)	
Exchange Listed Equities	\$30 flat fee*	No load:	Selected funds belonging to families such as Alliance, Blanchard, Bull & Bear, Calvert, Dreyfus, Federated, Founders, Fundamental, IAI, Invesco, Lexington, Value Line and Wright Funds.
Options	\$35 plus \$2.50 per contract	Load:	Selected funds belonging to families such as ABT, Burnham, Calvert, Delaware, Franklin, Gabelli, Kemper, Nuveen, Oppenheimer, Putnam, Zweig.
Bonds	\$5 per 1,000 \$40 minimum No commission when NDB acts as principal	Other no-load funds:	Principal value \$0 to \$4,999 \$5,000 to \$4,999 \$10,000 to \$14,999 \$15,000 to \$19,999 \$20,000 to \$49,999 \$50,000 and up Exchange within same family Sales
Foreign Securities	2¢ per share +\$125 2¢ per share +\$30	Fee	\$34 \$40 \$50 \$55 \$60 \$85 \$15 \$30
Ordinary Shares	2¢ per share +\$125		
Canadian Shares	2¢ per share +\$30		

* Transaction fees for orders placed on-line or by automated phone service are 55 less than listed fees.

Source: National Discount Brokers

International Herald Tribune

Discount Brokers Carve Out Niches

By Conrad de Aenile

DISCOUNT brokerage is traveling the same route through Europe taken by many American investment ideas, first stopping off in Britain before moving on to the Continent. Business and competition are increasing among execution-only brokers, and the practice is spreading into other services, mainly financial planning, and other countries, mainly Germany.

In Britain, 46 percent of retail brokerage trades, accounting for 25 percent of their value, are handled by discounters, according to ComPeer, a firm that compiles and analyzes information about the British brokerage industry. The attraction is low commissions on relatively small trades offered by such brokers as Sharelink, the industry leader recently bought by Charles Schwab, the largest American discounter, and Fidelity, a unit of the largest U.S. fund management company.

Sharelink charges 1.5 percent up to £2,500, or about \$4,000, and 0.75 percent above that. The minimum commission is £20, the maximum is £50. Fidelity's commissions are slightly higher.

But with retail banks offering similar commission rates and deep discounters charging less, Sharelink and Fidelity have set out to beat their rivals — and each other — on service.

The British market "is replicating what's happened in the States, where people are dealing at very low cost. It's a very, very competitive field," observed Richard Bethell, ComPeer's director. One way to fight off the competition is to "attempt to go upmarket and offer advisory and information services."

Sharelink is trying to accomplish that through an account called Market Master that features lower commissions — 1 percent on the first £2,500, 0.75 percent up to £5,000 and 0.1 percent thereafter — and a lower minimum of £10. There is a quarterly administrative charge of 50 pence per holding.

For customers who are not British residents, Fidelity offers an offshore multicurrency money-market account through which to trade. The account allows for payment of dividends and interest to be made without tax being withheld.

For the local market it caters to, Sharelink plans early next year to open what it expects to be the first of about 20 walk-in investment centers "designed to meet the needs of private investors," Mrs. Kane said.

"They can buy shares on the spot," she said, "open personal equity plans and meet other investors."

They can also get a demonstration of the company's recently inaugurated Internet-based system, by which trades can be executed via personal computer.

Today, the small investor often buys an investment fund, rather than an individual stock or bond. It is here that the next big

round of discounting, with or without pressure from brokerage firms, is likely to come.

"All management groups and intermediaries are having to discount to attract PEP sales," said Diana Mackay, publisher of the European Fund Industry Directory. "The normal 5 percent front load is going to 3 percent and, in the case of the M&G High-Income Fund, down to zero percent. By going to no-load, their assets under management have rocketed" — which discount brokers are sure to have noticed.

Taking advantage of the trend, though, is not so easy. Charles Schwab has offered an extensive range of no-load funds to its American account holders for years, but when it tried the same thing with a limited group of offshore funds aimed at American expatriates in Europe, the plan sputtered.

Sharelink, perhaps understandably, "has been very reluctant to commit themselves" on a similar program for British fund buyers. Miss Mackay said. Mrs. Kane would say only that "it's an area we're obviously very interested in; it's a new concept for the U.K."

For customers who are not British residents, Fidelity offers an offshore multicurrency money-market account through which to trade. The account allows for payment of dividends and interest to be made without tax being withheld.

Today, the small investor often buys an investment fund, rather than an individual stock or bond. It is here that the next big

concept reached Germany about a year and a half ago. Several banks, including most of the big ones, have set up discount brokerages that offer discounts of 25 percent to 100 percent of the sales charges on funds. Independent financial advisers, or IFAs, to whom Germans have traditionally gone for help in selecting funds, have not been pleased.

"IFAs started screaming and shouting and saying they won't work with companies that sell through discount brokers," said Anke Dembowksi, a fund industry consultant in Berlin. At first, they tried to cut their charges to compete but found that their expenses were too high to turn a profit.

Whether discounting will succeed in Germany remains to be seen.

"Germans are not very well trained in investment," Miss Dembowksi commented. "There are always people who think they can buy a fund quite cheaply, so they buy the No. 1 fund, whatever is on top of the hit list. Maybe they're not really risk takers, but they buy this No. 1 fund without being given advice. After they have a loss, they may decide that investment funds are really a bad thing."

The British experience has been that after a loss, investors think their discount brokers are a bad thing. Nobody needs help picking winners in a bull market, but when a bear market strikes, Mr. Bethell said, many clients run to what they think is the greater safety of investment advisers.

That's why companies like Sharelink are expanding into the savings business, which is more reliable. If they can latch on to it, as their American counterparts have, they stand a good chance of helping their own and their clients' fortunes.

"We want to make share ownership accessible to people," Mrs. Kane said. "That will help them to get to the next stage of planning their financial futures. Anything that allows people to take more control of their investments and removes the many barriers to investing that exist in Britain is something Sharelink is interested in."

BRIEFCASE

Jersey Legislature Clears Financial Commission Plan

The legislative assembly of Jersey has approved a plan for setting up a financial services commission, which would oversee the finance industry and promote the Channel Island as an offshore location, Jersey announced.

After 30 minutes' debate, the measure won unanimous passage. The Financial Services Department of Jersey will prepare a draft law to establish the commission. The measure would be debated by the end of next year and, if approved, become law in 1997.

The Jersey Financial Services Commission would operate separately from the government and would be self-financing.

MFS Sets Up 3 New Funds With Foreign & Colonial

Massachusetts Financial Services and

Foreign & Colonial have established three new mutual funds for U.S. investors.

The funds are the MSF/Foreign & Colonial international growth and income fund, the international growth fund, and the emerging market equity fund.

The three funds will close to new investors on Nov. 3, and reopen to new investors in December.

Each fund requires a minimum investment of \$1,000.

Latvian Capital Gets First International ATMs

Sauces Banka in Riga, the Latvian capital, has opened the first two automatic teller machines in the Baltic region that allow 24-hour access to holders of Eurocheque, Cirrus and Eurocard-MasterCard.

The bank plans to upgrade the service to 20 ATMs by the end of next year, European International announced.

"I do bank offshore
I don't have instant access to my money
do I need the new International Debit Card from Standard Chartered or
don't I?"

If you keep money offshore, you may have all the confidence of knowing it is in a secure environment earning a competitive rate of interest. But what about getting your hands on it when you need it? Your offshore bank is probably a long way away and, until now, getting access to your money may have been a slow and cumbersome process.

THE NEW INTERNATIONAL DEBIT CARD

Our new International Debit Card can help to put your offshore money right into your hands, giving you easy, instant access to it from around the world.

The new Card bears the VISA symbol, allowing you to withdraw local currency from over 180,000 24-hour VISA cash machines around the globe and to make direct payments from your offshore bank account for goods and services at over 11 million outlets worldwide — wherever you see the VISA symbol.

Available with both our Sterling and US Dollar Extra Value Deposit Accounts, the new International Debit Card can help put your offshore funds right into your pocket.

And we're sure that, in answer to the question we've posed above, you'll want to say "I do".

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To: Miss Sarah Bouchere, Standard Chartered Bank (CI) Ltd, P.O. Box 830, Conwy Street, St. Helier, Jersey JE4 0UF, Channel Islands. Tel: Jersey +44 (0) 1534 507001. Fax: +44 (0) 1534 507112.

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Advertisement

INTERNATIONAL FUNDS

October 27, 1995

For information on how to list your fund, fax Katy Houri at (33-1) 41 43 92 12.

ABC INVESTMENT & SERVICES CO (ELC)	11148	GARRETT FUND MANAGEMENT LTD	11148	CONFIDENTIAL BANK CY	11443
ABC Future Fund Ltd	161.47	Latin America (SD) A (Cdn)	11149	Confidential Corp	11444
ABC Global Recovery Fund	132.94	Astra USA D (Cdn)	11150	Confidential Corp	11445
ABC AMICO BANK P.O. Box 381, Amsterdam	11151	Astra USA D (Cdn)	11151	Confidential Corp	11446
Columbia Securities	11152	GLOBAL FUND MANAGEMENT IRELAND LTD	11152	Confidential Corp	11447
Trans Europe Fund 5	11153	D'Enteuro Fund Inc	11152	Confidential Corp	11448
ABN AMRO Funds	11154	Edge Euro Sdn Bhd	11154	Confidential Corp	11449
4th Ave Mortg. Linc. 303-0494-020	11155	Edge Euro Sdn Bhd Acc	11154	Confidential Corp	11450
North America Eq Fund	11156	EDUCATION FUND LTD	11156	Confidential Corp	11451
Asian Tigers Fund	11157	Edwards Fund Inc	11157	Confidential Corp	11452
Japan Equity Fund	11158	Edwards Fund Inc	11158	Confidential Corp	11453
Global Bond Fund	11159	Edwards Fund Inc	11159	Confidential Corp	11454
US Bond Fund	11160	EDWARD HARRIS FUND LTD	11160	Confidential Corp	11455
Germany Eq Fund B	11161	EDWARD HARRIS FUND LTD	11161	Confidential Corp	11456
Eastern Europe Eq Fund	11162	EDWARD HARRIS FUND LTD	11162	Confidential Corp	11457
Japan Equity Fund	11163	EDWARD HARRIS FUND LTD	11163	Confidential Corp	11458
Global Bond Fund	11164	EDWARD HARRIS FUND LTD	11164	Confidential Corp	11459
US Bond Fund	11165	EDWARD HARRIS FUND LTD	11165	Confidential Corp	11460
Germany Eq Fund B	11166	EDWARD HARRIS FUND LTD	11166	Confidential Corp	11461
Eastern Europe Eq Fund	11167	EDWARD HARRIS FUND LTD	11167	Confidential Corp	11462
Japan Equity Fund	11168	EDWARD HARRIS FUND LTD	11168	Confidential Corp	11463
Global Bond Fund	11169	EDWARD HARRIS FUND LTD	11169	Confidential Corp	11464
US Bond Fund	11170	EDWARD HARRIS FUND LTD	11170	Confidential Corp	11465
Germany Eq Fund B	11171	EDWARD HARRIS FUND LTD	11171	Confidential Corp	11466
Eastern Europe Eq Fund	11172	EDWARD HARRIS FUND LTD	11172	Confidential Corp	11467
Japan Equity Fund	11173	EDWARD HARRIS FUND LTD	11173	Confidential Corp	11468
Global Bond Fund	11174	EDWARD HARRIS FUND LTD	11174	Confidential Corp	11469
US Bond Fund	11175	EDWARD HARRIS FUND LTD	11175	Confidential Corp	11470
Germany Eq Fund B	11176	EDWARD HARRIS FUND LTD	11176	Confidential Corp	11471
Eastern Europe Eq Fund	11177	EDWARD HARRIS FUND LTD	11177	Confidential Corp	11472
Japan Equity Fund	11178	EDWARD HARRIS FUND LTD	11178	Confidential Corp	11473
Global Bond Fund	11179	EDWARD HARRIS FUND LTD	11179	Confidential Corp	11474
US Bond Fund	11180	EDWARD HARRIS FUND LTD	11180	Confidential Corp	11475
Germany Eq Fund B	11181	EDWARD HARRIS FUND LTD	11181	Confidential Corp	11476
Eastern Europe Eq Fund	11182	EDWARD HARRIS FUND LTD	11182	Confidential Corp	11477
Japan Equity Fund	11183	EDWARD HARRIS FUND LTD	11183	Confidential Corp	11478
Global Bond Fund	11184	EDWARD HARRIS FUND LTD	11184	Confidential Corp	11479
US Bond Fund	11185	EDWARD HARRIS FUND LTD	11185	Confidential Corp	11480
Germany Eq Fund B	11186	EDWARD HARRIS FUND LTD	11186	Confidential Corp	11481
Eastern Europe Eq Fund	11187	EDWARD HARRIS FUND LTD	11187	Confidential Corp	11482
Japan Equity Fund	11188	EDWARD HARRIS FUND LTD	11188	Confidential Corp	11483
Global Bond Fund	11189	EDWARD HARRIS FUND LTD	11189	Confidential Corp	11484
US Bond Fund	11190	EDWARD HARRIS FUND LTD	11190	Confidential Corp	11485
Germany Eq Fund B	11191	EDWARD HARRIS FUND LTD	11191	Confidential Corp	11486
Eastern Europe Eq Fund	11192	EDWARD HARRIS FUND LTD	11192	Confidential Corp	11487
Japan Equity Fund	11193	EDWARD HARRIS FUND LTD	11193	Confidential Corp	11488
Global Bond Fund	11194	EDWARD HARRIS FUND LTD	11194	Confidential Corp	11489
US Bond Fund	11195	EDWARD HARRIS FUND LTD	11195	Confidential Corp	11490
Germany Eq Fund B	11196	EDWARD HARRIS FUND LTD	11196	Confidential Corp	11491
Eastern Europe Eq Fund	11197	EDWARD HARRIS FUND LTD	11197	Confidential Corp	11492
Japan Equity Fund	11198	EDWARD HARRIS FUND LTD	11198	Confidential Corp	11493
Global Bond Fund	11199	EDWARD HARRIS FUND LTD	11199	Confidential Corp	11494
US Bond Fund	11200	EDWARD HARRIS FUND LTD	11200	Confidential Corp	11495
Germany Eq Fund B	11201	EDWARD HARRIS FUND LTD	11201	Confidential Corp	11496
Eastern Europe Eq Fund	11202	EDWARD HARRIS FUND LTD	11202	Confidential Corp	11497
Japan Equity Fund	11203	EDWARD HARRIS FUND LTD	11203	Confidential Corp	11498
Global Bond Fund	11204	EDWARD HARRIS FUND LTD	11204	Confidential Corp	11499
US Bond Fund	11205	EDWARD HARRIS FUND LTD	11205	Confidential Corp	11500
Germany Eq Fund B	11206	EDWARD HARRIS FUND LTD	11206	Confidential Corp	11501
Eastern Europe Eq Fund	11207	EDWARD HARRIS FUND LTD	11207	Confidential Corp	11502
Japan Equity Fund	11208	EDWARD HARRIS FUND LTD	11208	Confidential Corp	11503
Global Bond Fund	11209	EDWARD HARRIS FUND LTD	11209	Confidential Corp	11504
US Bond Fund	11210	EDWARD HARRIS FUND LTD	11210	Confidential Corp	11505
Germany Eq Fund B	11211	EDWARD HARRIS FUND LTD	11211	Confidential Corp	11506
Eastern Europe Eq Fund	11212	EDWARD HARRIS FUND LTD	11212	Confidential Corp	11507
Japan Equity Fund	11213	EDWARD HARRIS FUND LTD	11213	Confidential Corp	11508
Global Bond Fund	11214	EDWARD HARRIS FUND LTD	11214	Confidential Corp	11509
US Bond Fund	11215	EDWARD HARRIS FUND LTD	11215	Confidential Corp	11510
Germany Eq Fund B	11216	EDWARD HARRIS FUND LTD	11216	Confidential Corp	11511
Eastern Europe Eq Fund	11217	EDWARD HARRIS FUND LTD	11217	Confidential Corp	11512
Japan Equity Fund	11218	EDWARD HARRIS FUND LTD	11218	Confidential Corp	11513
Global Bond Fund	11219	EDWARD HARRIS FUND LTD	11219	Confidential Corp	11514
US Bond Fund	11220	EDWARD HARRIS FUND LTD	11220	Confidential Corp	11515
Germany Eq Fund B	11221	EDWARD HARRIS FUND LTD	11221	Confidential Corp	11516
Eastern Europe Eq Fund	11222	EDWARD HARRIS FUND LTD	11222	Confidential Corp	11517
Japan Equity Fund	11223	EDWARD HARRIS FUND LTD	11223	Confidential Corp	11518
Global Bond Fund	11224	EDWARD HARRIS FUND LTD	11224	Confidential Corp	11519
US Bond Fund	11225	EDWARD HARRIS FUND LTD	11225	Confidential Corp	11520
Germany Eq Fund B	11226	EDWARD HARRIS FUND LTD	11226	Confidential Corp	11521
Eastern Europe Eq Fund	11227	EDWARD HARRIS FUND LTD	11227	Confidential Corp	11522
Japan Equity Fund	11228	EDWARD HARRIS FUND LTD	11228	Confidential Corp	11523
Global Bond Fund	11229	EDWARD HARRIS FUND LTD	11229	Confidential Corp	11524
US Bond Fund	11230	EDWARD HARRIS FUND LTD	11230	Confidential Corp	11525
Germany Eq Fund B	11231	EDWARD HARRIS FUND LTD	11231	Confidential Corp	11526
Eastern Europe Eq Fund	11232	EDWARD HARRIS FUND LTD	11232	Confidential Corp	11527
Japan Equity Fund	11233	EDWARD HARRIS FUND LTD	11233	Confidential Corp	11528
Global Bond Fund	11234	EDWARD HARRIS FUND LTD	11234	Confidential Corp	11529
US Bond Fund	11235	EDWARD HARRIS FUND LTD	11235	Confidential Corp	11530
Germany Eq Fund B	11236	EDWARD HARRIS FUND LTD	11236	Confidential Corp	11531
Eastern Europe Eq Fund	11237	EDWARD HARRIS FUND LTD	11237	Confidential Corp	11532
Japan Equity Fund	11238	EDWARD HARRIS FUND LTD	11238	Confidential Corp	11533
Global Bond Fund	11239	EDWARD HARRIS FUND LTD	11239	Confidential Corp	11534
US Bond Fund	11240	EDWARD HARRIS FUND LTD	11240	Confidential Corp	11535
Germany Eq Fund B	11241	EDWARD HARRIS FUND LTD	11241	Confidential Corp	11536
Eastern Europe Eq Fund	11242	EDWARD HARRIS FUND LTD	11242	Confidential Corp	11537
Japan Equity Fund	11243	EDWARD HARRIS FUND LTD	11243	Confidential Corp	11538
Global Bond Fund	11244	EDWARD HARRIS FUND LTD	11244	Confidential Corp	11539
US Bond Fund	11245	EDWARD HARRIS FUND LTD	11245	Confidential Corp	11540
Germany Eq Fund B	11246	EDWARD HARRIS FUND LTD	11246	Confidential Corp	11541
Eastern Europe Eq Fund	11247	EDWARD HARRIS FUND LTD	11247	Confidential Corp	11542
Japan Equity Fund	11248	EDWARD HARRIS FUND LTD	11248	Confidential Corp	11543
Global Bond Fund	11249	EDWARD HARRIS FUND LTD	11249	Confidential Corp	11544
US Bond Fund	11250	EDWARD HARRIS FUND LTD	11250	Confidential Corp	11545
Germany Eq Fund B	11251	EDWARD HARRIS FUND LTD	11251	Confidential Corp	11546
Eastern Europe Eq Fund	11252	EDWARD HARRIS FUND LTD	11252	Confidential Corp	11547
Japan Equity Fund	11253	EDWARD HARRIS FUND LTD	11253	Confidential Corp	11548
Global Bond Fund	11254	EDWARD HARRIS FUND LTD	11254	Confidential Corp	11549
US Bond Fund	11255	EDWARD HARRIS FUND LTD	11255	Confidential Corp	11550
Germany Eq Fund B	11256	EDWARD HARRIS FUND LTD	11256	Confidential Corp	11551
Eastern Europe Eq Fund	11257	EDWARD HARRIS FUND LTD	11257	Confidential Corp	11552
Japan Equity Fund	11258	EDWARD HARRIS FUND LTD	11258	Confidential Corp	11553
Global Bond Fund	11259	EDWARD HARRIS FUND LTD	11259	Confidential Corp	11554
US Bond Fund	11260	EDWARD HARRIS FUND LTD	11260	Confidential Corp	11555
Germany Eq Fund B	11261	EDWARD HARRIS FUND LTD	11261	Confidential Corp	11556
Eastern Europe Eq					

THE MONEY REPORT

Computer Revolution Now Allows the Little Investor to Do Hands-On Trading

By Laura Colby

PARIS — It's 4 A.M., and you are suddenly awakened by an investment insight: Those shares of Widetech Co. should be sold, now. What do you do?

Provided you have a modem, you can now dial up your broker via computer, and place the sell order electronically. Many brokers, in addition to taking orders over the phone, will e-mail you confirmation that the trade has been executed.

The scenario may sound futuristic, but it isn't.

"People have been buying and selling stocks by computer for years. It's called trading," said Tom Koch, author of the forthcoming book, "The Message is the Medium: Online, All the Time and For Everyone" (Praeger, New York). He of

course, is referring to the large market players, like brokers or fund managers, who have direct access to the markets and whose trading programs have caused some of the spikes and surges in stock prices in recent years.

But things are getting a bit more democratic.

"What's happening now is that private investors are being allowed to trade — still through houses — more directly," Mr. Koch said. What's more, private investors doing their research on-line now have access to far more investment information, on demand, than was ever economically or physically possible in the past.

"After sex and sports, investment information is probably the thing that is most discussed on the Internet," said Reynolds Russell, editor of On-line Investors Digest, an electronic newsletter.

The trend dates back to the late 1980s,

when some discount brokerages began offering their services on-line. At about the same time, users of France's teletext system, Minitel, also were offered the chance to trade stocks through their phone-linked terminals, provided they already had opened accounts with the brokerages offering the services.

Since then, the number of brokerages offering some kind of service on-line has mushroomed.

Today, a number of discount brokers and so-called deep discount brokerages offer their services on-line, including Charles Schwab, Brown & Co., Fidelity and Etrade. These are brokerages that charge a fee per trade that generally runs in the \$30 to \$60 area. At least one full-service broker, Waterhouse Securities, is also reportedly planning to go on-line soon.

Several brokerages also have pages on the World Wide Web, the user-friendly

service of the Internet. But many of these, so far, are just information sites, giving users data about services available and phone numbers for contacting the companies and forms for opening an account.

"We're working on" providing trading over the Internet, said Mark McManus, director of marketing for Quick & Reilly in New York, but "we're worried about the security."

Because of the nature of the Internet — it is a network of computers worldwide open to anybody with no central monitoring authority — security can be a problem.

By offering trading services on private on-line networks like America Online, CompuServe and Prodigy, brokers are able to circumvent many of customers' concerns about privacy and fears of having their financial information purloined, analysts say. All the private services have their own private networks with "fire

walls" to keep the unauthorized from obtaining private information or making unauthorized trades.

Another alternative, being adopted by Quick & Reilly, is a proprietary service. To be started in late November or early December, the new Quick Way Plus will enable investors to trade and follow the performance of their investments using Reuters's Money Network, according to Mr. McManus.

There is no minimum amount for trading and the service is available for as little as \$6.95 a month. However, for the time being it will only be available for trades in American equities.

The explosion of the on-line world has made it far easier for individual investor to do the kind of first-class research that was previously reserved only for brokerage houses and other institutions.

An investor can now look up all the

detailed earnings reports of a potential investment, all the recently published press information about the company or opinions expressed in stock newsletters, as well as analyst research reports.

There are also on-line newsletters providing information about stocks and overall investment strategy.

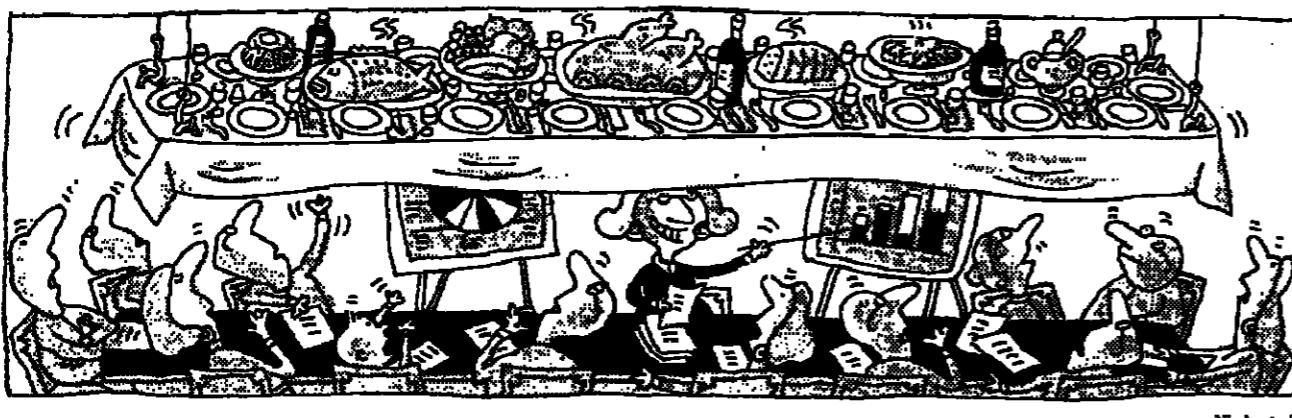
And through the bulletin board-style forums, investors can also trade stock tips or market advice with their peers.

A recent scroll through the Investor's Forum on CompuServe, for instance, showed discussions of everything from small stocks like Puddies Chicken and Boston Brewing to trading in coffee futures and gold options.

There was also a lengthy file explaining how to choose a discount, on-line brokerage that included phone numbers, fees and various individuals' ratings of how the services stacked up.

Best Performing Mutual Funds	
<i>Leading mutual funds in the last three months, based on total return. Returns are as of Oct. 2, 1995. Data from Lipper Analytical Services.</i>	
Over one month to Oct. 2, 1995	Management Group
West Pacific Worldwide Fund	10.7%
Baird's ASF Fund	10.6%
Baird Fund Equity Strategy Fund	10.5%
J.P. Morgan Fund	10.4%
Charles Kraus Fund	10.3%
SMP Fund	10.2%
Wells Fargo Fund	10.1%
John Hancock Fund	10.0%
Charles Schwab Fund	9.9%
Charles Schwab Fund	9.8%
Charles Schwab Fund	9.7%
Charles Schwab Fund	9.6%
Charles Schwab Fund	9.5%
Charles Schwab Fund	9.4%
Charles Schwab Fund	9.3%
Charles Schwab Fund	9.2%
Charles Schwab Fund	9.1%
Charles Schwab Fund	9.0%
Charles Schwab Fund	8.9%
Charles Schwab Fund	8.8%
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Charles Schwab Fund	8.5%
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Charles Schwab Fund	8.3%
Charles Schwab Fund	8.2%
Charles Schwab Fund	8.1%
Charles Schwab Fund	8.0%
Charles Schwab Fund	7.9%
Charles Schwab Fund	7.8%
Charles Schwab Fund	7.7%
Charles Schwab Fund	7.6%
Charles Schwab Fund	7.5%
Charles Schwab Fund	7.4%
Charles Schwab Fund	7.3%
Charles Schwab Fund	7.2%
Charles Schwab Fund	7.1%
Charles Schwab Fund	7.0%
Charles Schwab Fund	6.9%
Charles Schwab Fund	6.8%
Charles Schwab Fund	6.7%
Charles Schwab Fund	6.6%
Charles Schwab Fund	6.5%
Charles Schwab Fund	6.4%
Charles Schwab Fund	6.3%
Charles Schwab Fund	6.2%
Charles Schwab Fund	6.1%
Charles Schwab Fund	6.0%
Charles Schwab Fund	5.9%
Charles Schwab Fund	5.8%
Charles Schwab Fund	5.7%
Charles Schwab Fund	5.6%
Charles Schwab Fund	5.5%
Charles Schwab Fund	5.4%
Charles Schwab Fund	5.3%
Charles Schwab Fund	5.2%
Charles Schwab Fund	5.1%
Charles Schwab Fund	5.0%
Charles Schwab Fund	4.9%
Charles Schwab Fund	4.8%
Charles Schwab Fund	4.7%
Charles Schwab Fund	4.6%
Charles Schwab Fund	4.5%
Charles Schwab Fund	4.4%
Charles Schwab Fund	4.3%
Charles Schwab Fund	4.2%
Charles Schwab Fund	4.1%
Charles Schwab Fund	4.0%
Charles Schwab Fund	3.9%
Charles Schwab Fund	3.8%
Charles Schwab Fund	3.7%
Charles Schwab Fund	3.6%
Charles Schwab Fund	3.5%
Charles Schwab Fund	3.4%
Charles Schwab Fund	3.3%
Charles Schwab Fund	3.2%
Charles Schwab Fund	3.1%
Charles Schwab Fund	3.0%
Charles Schwab Fund	2.9%
Charles Schwab Fund	2.8%
Charles Schwab Fund	2.7%
Charles Schwab Fund	2.6%
Charles Schwab Fund	2.5%
Charles Schwab Fund	2.4%
Charles Schwab Fund	2.3%
Charles Schwab Fund	2.2%
Charles Schwab Fund	2.1%
Charles Schwab Fund	2.0%
Charles Schwab Fund	1.9%
Charles Schwab Fund	1.8%
Charles Schwab Fund	1.7%
Charles Schwab Fund	1.6%
Charles Schwab Fund	1.5%
Charles Schwab Fund	1.4%
Charles Schwab Fund	1.3%
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Charles Schwab Fund	1.1%
Charles Schwab Fund	1.0%
Charles Schwab Fund	0.9%
Charles Schwab Fund	0.8%
Charles Schwab Fund	0.7%
Charles Schwab Fund	0.6%
Charles Schwab Fund	0.5%
Charles Schwab Fund	0.4%
Charles Schwab Fund	0.3%
Charles Schwab Fund	0.2%
Charles Schwab Fund	0.1%
Charles Schwab Fund	0.0%
Over one year to Oct. 2, 1995	Management Group
GT Index Fund	10.7%
GT Index Fund	10.6%
GT Index Fund	10.5%
GT Index Fund	10.4%
GT Index Fund	10.3%
GT Index Fund	10.2%
GT Index Fund	10.1%
GT Index Fund	10.0%
GT Index Fund	9.9%
GT Index Fund	9.8%
GT Index Fund	9.7%
GT Index Fund	9.6%
GT Index Fund	9.5%
GT Index Fund	9.4%
GT Index Fund	9.3%
GT Index Fund	9.2%
GT Index Fund	9.1%
GT Index Fund	9.0%
GT Index Fund	8.9%
GT Index Fund	8.8%
GT Index Fund	8.7%
GT Index Fund	8.6%
GT Index Fund	8.5%
GT Index Fund	8.4%
GT Index Fund	8.3%
GT Index Fund	8.2%
GT Index Fund	8.1%
GT Index Fund	8.0%
GT Index Fund	7.9%
GT Index Fund	7.8%
GT Index Fund	7.7%
GT Index Fund	7.6%
GT Index Fund	7.5%
GT Index Fund	7.4%
GT Index Fund	7.3%
GT Index Fund	7.2%
GT Index Fund	7.1%
GT Index Fund	7.0%
GT Index Fund	6.9%
GT Index Fund	6.8%
GT Index Fund	6.7%
GT Index Fund	6.6%
GT Index Fund	6.5%
GT Index Fund	6.4%
GT Index Fund	6.3%
GT Index Fund	6.2%
GT Index Fund	6.1%
GT Index Fund	6.0%
GT Index Fund	5.9%
GT Index Fund	5.8%
GT Index Fund	5.7%
GT Index Fund	5.6%
GT Index Fund	5.5%
GT Index Fund	5.4%
GT Index Fund	5.3%
GT Index Fund	5.2%
GT Index Fund	5.1%
GT Index Fund	5.0%
GT Index Fund	4.9%
GT Index Fund	4.8%
GT Index Fund	4.7%
GT Index Fund	4.6%
GT Index Fund	4.5%
GT Index Fund	4.4%
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GT Index Fund	0.5%
GT Index Fund	0.4%
GT Index Fund	0.3%
GT Index Fund	0.2%
GT Index Fund	0.1%
GT Index Fund	0.0%
Over five years to Oct. 2, 1995	Management Group
Genesco	10.7%
UF	10.6%
J.W. Seligman	10.5%
TSB	10.4%
Fidelity Mana	10.3%
Fidelity Mana	10.2%
Harschbach	10.1%
Putnam	10.0%
Sara Fund Ma	9.9%
Fidelity Mana	9.8%
Alta Industries	9.7%
Alta Industries	9.6%
Alta Industries	9.5%
Alta Industries	9.4%
Alta Industries	9.3%
Alta Industries	9.2%
Alta Industries	9.1%
Alta Industries	9.0%
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Alta Industries	7.3%
Alta Industries	7.2%
Alta Industries	7.1%
Alta Industries	7.0%
Alta Industries	6.9%
Alta Industries	6.8%
Alta Industries	6.7%
Alta Industries	6.6%
Alta Industries	6.5%
Alta Industries	6.4%

THE MONEY REPORT



Don't Mock Granny's Investment Club

By Barbara Wall

IF the prospect of a family reunion propels you straight to the liquor cabinet, try to imagine meeting with your kith and kin on a regular basis to discuss, of all things, investments. This is exactly what the Taffy Investment Club in Kansas is all about. No family disputes here, however. The club, which comprises four generations of the Taylor and Andrews families, is a highly successful business, boasting an average annual investment return of 28 percent since 1987, when it was formed.

Betty Taylor, the Taffy club secretary, sees nothing unusual in families coming together and pooling their resources to invest in the stock market.

"What better way is there to teach kids the value of money?" she said. "Even the grandchildren are hooked. They invest their pocket money in the club. Everyone has been very pleased with the results, so far."

"The Taffy Investment Club," Mrs. Taylor said, "owes its success to hard work and a businesslike approach to investing. Many other clubs fall by the wayside because the members are more interested in socializing than attending to business. We are all in the club to make money. We each invest between \$25 and \$50 per month, though the grandchildren usually put in about \$5 per month. Every cent is invested in growth stocks that have at least five years' history. Disputes between family members are rare as investment decisions are reached democratically — the majority rules."

The Taffy Investment Club is a member of the National Association of Investors, based in Michigan. The association has over 17,000 member clubs with an average of 500 new clubs joining every month.

The Beardstown Ladies Club of Chicago is one of the association's major success stories. The club shot to fame in 1991 when it reported a return on its shares of 59.5 percent, which was 10 times the Standard & Poor's 500 index performance during the period. The average annual return over

the 11 years of the club's existence is 23 percent. Tom O'Hara, the association chairman, expects 45 percent to 50 percent of clubs to at least equal the index from year to year.

The Worldwide Federation of Investment Clubs in Sweden represents the interests of clubs around the globe. Next to the United States, the greatest concentration of clubs is to be found in France (15,000), Germany (5,000). The Netherlands (700) and Britain (500). A spokeswoman for the Worldwide Federation said the organization was founded in 1960 to encourage wider share ownership.

"In many countries it is still difficult for individuals to buy shares because of the cost involved," she said. "The club setup allows members to diversify risk, profit from their investments and learn from one another."

The federation says the optimum number of members for an investment club is 20. "Any group with more members may find it difficult to operate efficiently," the federation says, adding: "It is also important to agree on investment strategy from the outset. Long-term growth is generally far more effective than short-term speculation. We encourage clubs to aim at doubling their capital in the first five years."

Essential reading for any DIY investment enthusiast is the Investment Clubs handbook, written by Tony Drury. Mr. Drury charts the progress of a handful of British investment clubs, from the highly successful Peninsula Investment Club of Merseyside to the not-so-successful Victoria Investment Club of Truro, Cornwall.

Peninsula Investment was formed 10 years ago by eight women. Today the club has 19 members (once a club has 20 members it must be incorporated for legal and tax purposes). Although the club did not want to make public its results, Mr. Drury assures us that he could not imagine a club being better run.

"It is profitable and the club's investment strategy appeared to be dominated by the practicality one expects from housewives and business people," he said. His only criticism: the club's over-reliance on

newspaper articles for research purposes.

The Victoria Investment Club, whose 16 members meet once a month, has also been going for 10 years. But the club's chairman, Derek Richards, reports that members have had to keep their day jobs as the club has not been particularly successful in its investment policies.

"We have certainly done worse than the index over the past decade," he said. "From the outset members didn't really take the club seriously. We are all friends and enjoy each other's company. Perhaps there was too much chitchat and not enough serious work being done."

"The situation has improved in the last few years as three new members have joined and whipped the rest of us into shape," he added. "The new members are very serious indeed. On their advice we set up a subcommittee to research the market. The committee reports back to members once a month and we take a vote on their recommendations. The committee idea has worked wonders. We are now outperforming the index."

While the federation stresses the educational nature of the investment club movement, the primary motive for most members is profit. Clubs are generally advised to start out on a businesslike footing by appointing a club secretary, treasurer and chairman. A proper accounting system should also be devised to calculate the value of each member's holding.

It is estimated that 40 percent of clubs fold in the first few years of operation. "The main reason for the high failure rate is that members do not discuss their approach to risk. Most clubs play safe and go for straight equities. However, a handful of clubs like to take a gamble by investing in warrants and traded options. It can take four meetings until the club finds a common ground," Mr. Drury said.

"Another problem seen in new clubs," he added, "is the frustration that investors feel at how slowly the monthly contributions aggregate into a meaningful amount. One way around this is for individuals to agree not only to a monthly contribution but also an initial lump sum to get the ball rolling."

Certainly the spread of technology and competition between finance houses has made it easier than ever before for clients to deal directly with product providers.

Whether buying stocks and bonds, insurance, or arranging an overdraft or a loan, there is now a fast-growing trend toward companies' marketing financial services directly to their clients.

Across the United States and in Europe, it is now possible for

Do-It-Yourself Option Wins Adherents

By Judith Rehak

JAIME Ronderos is too busy to handle his investments during his working day as an anesthesiologist at a hospital in Beaumont, Texas. So it's not unusual to find the 38-year-old doctor at his lap-top computer at midnight, logged on to his account at Quick & Reilly, the third-largest discount broker in the United States.

Dr. Ronderos is one of a small, but growing, group of some 600,000 American cyber-investors. But for investors who are comfortable with trading by touching a key or clicking a mouse, and doing their own research, on-line investing offers convenience, control — and lower commissions. For example, a \$10,000 trade in Harley-Davidson at its recent price of \$27.25 a share would fetch a commission of \$185.30 at a full-service brokerage, while on-line discounters like San Francisco's Charles Schwab & Co. and Quick & Reilly in New York would charge \$110 and \$84 respectively, with another 10 percent off for trading from your PC. Deep discounters online will be an even bigger bargain, charging flat rates as low as \$25.00 for the same trade.

Nevertheless, investing via your personal computer isn't for everyone.

"It can be scary, because it's faceless, and if you need to talk with a human, you won't want to trade on-line," said Paul Gavarlick, an editor at Computerized Investing, a newsletter published by the American Association of Individual Investors.

"It can be scary, because it's faceless, and if you need to talk with a human, you won't want to trade on-line," said Paul Gavarlick, an editor at Computerized Investing, a newsletter published by the American Association of Individual Investors.

But for investors who are comfortable with trading by touching a key or clicking a mouse, and doing their own research, on-line investing offers convenience, control — and lower commissions. For example, a \$10,000 trade in Harley-Davidson at its recent price of \$27.25 a share would fetch a commission of \$185.30 at a full-service brokerage, while on-line discounters like San Francisco's Charles Schwab & Co. and Quick & Reilly in New York would charge \$110 and \$84 respectively, with another 10 percent off for trading from your PC. Deep discounters online will be an even bigger bargain, charging flat rates as low as \$25.00 for the same trade.

But there's more to choosing a cyber-broker than commissions. First, it's helpful to look at the three broad categories of brokers that offer on-line trading. There are those that require customers to use their proprietary software, namely Schwab and Fidelity Discount Brokerage in Boston, the two biggest players. Quick & Reilly and San Diego-based Jack White & Co., are also launching proprietary programs in

November. The second group offers PC trading through the big commercial networks like America Online and CompuServe; this includes high-end, as well as deep discounters like E*Trade of Palo Alto, California, and New York-based PC Financial Network.

The third category, like New York's National Discount Brokers and Lombard Institutional, trades over the Internet, the public computer network. Investors can get access these groups from a personal computer with a modem.

Beyond that, there are some other issues aspiring on-line investors should address:

• What kind of service?

Most on-line traders can review their accounts, obtain quotes, and execute trades as a basic service. If you want to read analysts' research reports, check out historical prices and tinker with charts and indexes, you will probably have to pay an extra fee to access your brokerage's independent information service, like Dow Jones' News Retrieval, the Reuters Money Network and Telescan.

• How much will it cost?

Costs vary widely depending on the type and level of service.

Schwab's Equalizer and StreetSmart software is \$49 in the United States and \$69 for users in Britain, Germany and Switzerland. On-line Xpress, Fidelity's program, is available to customers with U.S. addresses for \$49.95. (Jack White and Quick & Reilly both say their new software will be free of charge for a limited time).

[At deep discounters, you won't have to purchase proprietary software, and the commissions are rock-bottom. But expect only bare-bones service.]

• Windows or DOS?

Many discounters offer access to on-line trading for both DOS and Windows-based computers, but the new, more sophisticated proprietary software coming on stream is overwhelmingly Windows.

Finally, Jane Jeon, an analyst for Forrester Research in Boston, thinks anyone contemplating on-line investing needs to step back and look at the big picture.

"PC trading is not an isolated decision," she said. "You should look at the brokerage, the products and its services, and at the fact that at some point you will want to speak to a person."

Companies Head Straight to the Client

By Digby Larmer

A NYBODY who turns to financial intermediaries for advice is bound to ask two questions. First, how much does it cost and, second, is it worth the money?

And if you feel you are paying too much for professional help or seeing little or no value added to your portfolio, is it possible — or wise — to cut out expensive middlemen?

Certainly the spread of technology and competition between finance houses has made it easier than ever before for clients to deal directly with product providers.

Whether buying stocks and bonds, insurance, or arranging an overdraft or a loan, there is now a fast-growing trend toward companies' marketing financial services directly to their clients.

Across the United States and in Europe, it is now possible for

people to organize almost all their financial affairs without once consulting an intermediary and, often, by simply picking up the phone.

But if buying is easier, making financial decisions is sometimes as hard as ever — if not harder. Although choosing something as basic as auto insurance usually comes down to a matter of price and service, some areas are more complicated. The investment market is one example.

Those buying into stocks and bonds can now turn to such discount brokers as Fidelity and Charles Schwab, both of which operate in the United States and Europe. What they offer is execution-only deals. The client makes the investment choice and the broker completes the transaction at a lower cost than traditional brokers, who offer advice and guidance.

But far from reducing the need for intermediaries, said Hugh Humphrey, managing di-

rector of Fidelity's investment adviser group in London, the growing number of direct sales representatives will most likely increase it.

"Life is certainly tougher for intermediaries than ever before, but that may simply squeeze out inefficiency and see off those less able advisers who cling to the periphery," he said. "By giving people the opportunity to make choices themselves, there is actually a greater need for one example."

The mutual fund industry has also moved toward cut-price, no-advice selling, especially in the United States, where no-load funds have become highly popular during the last five years. These now count for a third of the country's \$2.2 trillion mutual fund market.

What complicates matters here, said Richard Kates, an analyst with Deutsche Bank in New York, is that it can be almost impossible to say how much added value a broker might have brought to your fund portfolio.

"There's plenty of information for investors to plug into these days but the real question is whether investors have the time and expertise to go through it," Mr. Kates said.

"There are now something like 10,000 mutual funds on the market, so making a selection is as difficult as choosing stocks. If anything, looking at the amount of money flowing into mutual funds these days, the demand for advisers is probably on the increase."

The trend toward no-load funds has created a new breed of intermediary, apparently offering their services free.

Judith de Barany, who heads Barany Capital Management in France, charges her clients nothing for the advice she offers, preferring instead to negotiate discounts with the fund managers she recommends.

"There is still a big need for allocation advice but with the growing level of competition in the market, managers have to justify their charges and investors will avoid paying for advice if they can."

Advisers placing big sums of money with particular funds usually carry enough weight with managers to win discounts

equivalent to the amount they would ordinarily pass on to clients, said Miss de Barany.

In Europe, the most spectacular move toward direct marketing is in the insurance market, spurred on by the legendary success of Direct Line — a telephone sales service set up in Britain by Royal Bank of Scotland in 1985.

During the last 10 years, Direct Line has come from nowhere to become Britain's biggest auto insurer, with 12.5 percent of the market.

The huge cost saving the company makes by not having an expensive branch network is used to reduce premiums, giving it a marketing edge in a highly cost-sensitive market, said the company's spokeswoman, Gill Murphy.

"There are still some specialist areas where clients need to deal with intermediaries," he said, "but most people looking for car insurance can easily be dealt with over the phone."

The rapid growth of Direct Line has tempted insurers throughout Europe into the tele-sales market.

Direct Line has also tried pushing the direct sales idea into such other financial services areas as mortgages, for which it offers interest rates 1 percentage point below those of traditional lenders.

Nicholas Deutsch, who heads First Mortgage Securities Ltd., a direct loan company based in London, explained that despite the apparent complications of the home loan market, the biggest proportion of applications are straightforward enough to be dealt with in less than 15 minutes by phone.

"There are broadly three types of borrower," he said.

"There are first-time buyers who have no experience of how mortgages work and need to be led through the process by someone in person. Next are those whose applications are complicated by poor credit ratings or who may have arrears problems with their existing lender. These two groups count for around 40 percent of applications. The rest, the 60 percent, are older, more sophisticated borrowers who know what they want and who are probably already used to organizing their banking and insurance affairs over the phone."

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JORDAN

THE AMMAN SUMMIT

PREPARING FOR THE PEACE DIVIDEND



Jordan's stability and tradition - "a rich tradition of diversity and openness," according to a message from King Hussein published in this section - are symbolized by the King Abdullah Mosque, which dominates the skyline of modern Amman.

JORDAN OPENS ITS DOORS TO MASSIVE FOREIGN INVESTMENT

A package of incentives introduced by the government includes substantial cuts in taxes and duties paid by overseas investors.

Why invest in Jordan? The leadership, political stability, a new regional environment and the central location of the Hashemite Kingdom are four reasons that will be most frequently quoted at the Amman '95 economic summit that opens on Oct. 29.

Coming after five decades of conflict between Arabs and Israelis, the summit's main objective is to continue the peace-building process by increasing economic cooperation in the region. Jordan hopes to become one of the main beneficiaries of the "peace dividend" and is sparing no effort to promote its own opportunities.

About 5,000 delegates - officials, businesspeople and media representatives - are expected to attend the Middle East and North Africa Economic Summit, which is a follow-up to the 1994 Casablanca conference.

Tax cuts

The summit will hear how Jordan is opening its doors to a more liberal investment climate and is proposing 27 official and 136 private-sector projects, requiring the investment of more than \$14.5 billion. The government has introduced a wide-ranging package of incentives for investors, including the allowing of 100 percent foreign ownership, substantial corporate and income tax cuts and a reduction of customs duties.

The main points of the government's strategy of encouraging greater involvement by the private sector have been

welcomed by the business community. "We no longer want the government in business," says Ali T. Dajani, advisor to the Amman Chamber of Industry, adding that the private sector now contributes about 20 percent of GDP.

Constraint removed

One of the main constraints on private investment has been the instability factor in the region. "Now we are able to put that behind us," says Mohammad Smadi, secretary general of the Ministry of Industry and Trade. "It is one hindrance that has been put aside. Consequently, we have been able to review and revise our economic system and open up our economy to the world. Following the changes taking place in the region and in the country, we are now more optimistic."

Shabib Ammari, general manager of the Aldaman investment group and one of the organizers of the summit program, says it is self-evident that the private sector is beginning to assume an increasingly active role in the economy and its management.

"Although some 60 percent of the economy originates from the state, the private sector's role is increasing all the time and will become the dominant factor within the next few years," adds Mr. Ammari.

He says there now appears to be a consensus and a commitment to gear the economic system toward a free market in which the government plays a lesser role.

The government is gradually carrying out a deregulatory strategy and is also taking measures to ease all price controls.

Mr. Ammari expects greater free trade to develop in the region, concomitant with the peace-building process, and he notes that Jordan is applying for membership in the World Trade Organization.

Michael Frenchman

The Investment Promotion Department of the Ministry of Industry was created 18 months ago to ease the path of investors in Jordan.

DEAD SEA DEVELOPMENT ROAD LEADS TO RICH COOPERATION

Exploitation of the area's unique mineral resources requires massive investment and joint action by the inland sea's neighboring countries.

The Dead Sea area is one of the most underdeveloped in Jordan and is desperately in need of investment. Compared with what Israel has done on its side of the Dead Sea, Jordan is lagging far behind in its exploitation of mineral resources and tourism potential.

According to Ali T. Dajani, an advisor to the Amman Chamber of Industry and doyen of the business community, joint development of the Dead Sea could lead to more cooperation between Jordan and Israel.

The potential for the development of mineral resources in the Dead Sea and

the surrounding area is huge. The sea itself is well endowed with a unique combination of features - high concentration of brine, extensive mineral content, high evaporation rate and a dry climate that allows open-air storage of potash and other substances.

Phosphate projects

At present, Jordan's Arab Potash Company and Israel's Dead Sea Works compete for world markets, but shared processing operations, transportation and an exchange of technical know-how could be to the advantage of both companies.

Major phosphate-based projects requiring \$600 million worth of investment are being presented at the summit. The Arab Potash Company is planning to construct a fertilizer and animal feed plant, to be located in Aqaba. The proposed 579 million plant would produce 75,000 tons a year of potassium sulfate and 40,800 tons a year of di-calcium sulfate.

According to a study by Arthur D. Little, the project would use Jordan's most important resource raw materials, potash and phosphates. It suggests a combined production plant because hydrochloric acid, a by-prod-

uct of potassium sulfate processing, could be used to process the phosphate rock.

The process is environmentally friendly and, says Mr. Little, solves the problem of disposal of waste hydrochloric acid. APC has already established a holding company - the Jordan Dead Sea Industries Company - for this and related projects, with a capital of \$86 million.

Exports to the east

If this company can raise additional financing, particularly from companies involved in the production or marketing of the two chemicals, production could start

from the new plant in five years' time.

Phosphate and potash account for 40 percent of all Jordan's exports and contribute about 5 percent of the GDP. Jordan has reserves of more than 2 billion tons of phosphate and is the largest producer and exporter of phosphate rock in the world.

A joint venture has been agreed upon by the Jordan Phosphate Mines Company and the Fauji Fertilizer Company of Pakistan to build a fertilizer plant at Pakistan's Port Qasim. JPMC has also signed a joint venture with the Nippon Jordan Fertilizer Company to

supply the Japanese company with phosphoric acid.

Two acid plants requiring a \$350 million investment will be built in the Eshidya free zone in southern Jordan. The complex will include two sulfuric acid plants with a total capacity of 1.8 million tons a year, and two phosphoric acid plants producing 500,000 tons a year. Part of the production will go to Pakistan and Japan. The remainder will be available for export elsewhere. If suitable equity financing is obtained, the complex could be constructed within two years.

M.F.

PRESSES OF PEACE SPUR REFORMS OF THE INVESTMENT LAWS

The department's aim is to reduce bureaucracy so that license applications from would-be investors can be processed in less than 10 days.

One of the first benefits for Jordan of the Amman '95 summit has been the swift passing of new investment and fiscal legislation and the establishment of an investment promotion board. Foreign investment has been liberalized, corporation tax has been cut and customs duties on certain goods, mainly raw materials and machinery, reduced.

"It would probably have taken us at least 10 years to have introduced these very radical measures," says Umayya S. Toukan, director-general of the Amman Stock Exchange and one of the organizers of the Amman '95

summit. There is no doubt that the new investment law, which allows up to 100 percent foreign ownership and offers a package of tax incentives, is having a catalytic effect on future development plans for Jordan.

New circumstances
"This new law enables us to cope with the new circumstances in which we and the region now find ourselves," says Asem Al-Hindawi, director-general of the Investment Promotion Department of the Ministry of Industry, referring to the peace-making process.

He adds that the most im-

portant aspect of the new law is that it aims to remove one of the most damaging con-

straints on Jordan's development - bureaucracy. "You can have all the best laws in the world, but if you have bad administration, you will have achieved nothing," says Mr. Hindawi.

He is determined to speed all legislation processes so as to encourage greater investment both by Jordanians and by foreign partners or investors.

The promotion department, which was established one and a half years ago, has been making some progress in getting license approvals down from four months to 40 days. "Now I hope the new law will enable us to process ap-

plications from investors in less than 10 days," says Mr. Hindawi. "It will no longer be necessary for them to go to approval to the Council of Ministers. There will be a new promotion board, chaired by myself, which will process final decisions."

As part of the new incentives, Jordan is to be divided

M.F.

into three main development areas. By introducing a sliding scale of tax relief, the government aims to encourage new investments in less-developed parts of the country and to ease the burden on parts of Amman, especially the east of the capital, which already has well-developed light industry.

M.F.

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PROGRAM DIRECTOR: Bill Muhler.

GREATER AMMAN MUNICIPALITY

Modern Amman still bears the visible evidence of an evolving civilization dating back over 7,000 years. Visitors today can see for themselves magnificent cultural artifacts such as the Roman amphitheater, Ammonite palaces and Byzantine mosaics.

Amman today is one of the world's most advanced and pleasing capitals, with all the benefits of a modern infrastructure allied to sympathetic city planning, cleanliness and an uncongested network of roads.

Amman is at once a city that offers a variety of attractions to the tourist, and provides an environment conducive to the demands of the international business community. It is a city where finance and commerce sit side by side with culture and tourism.

It is therefore not surprising that Amman has been chosen as the venue for the internationally prestigious Economic Summit for the Middle East and North Africa.

جامعة عمان الكبرى

JORDAN

THE DIVIDE THAT UNITES: RIFT VALLEY

Jordan and Israel plan to cooperate on integrated development that will transform the region.

The Jordan Rift Valley lies on top of one of the world's great geological divisions. Now it is at the heart of plans to bring Jordan and Israel closer together.

Ambitious programs for the integrated development of the Rift Valley should give the two states a shared source of water and power and an integrated industrial

Officials on both sides of the Jordan River see the Rift Valley project as a testing ground for cooperation and, they hope, an early indicator of the practical benefits of peace

and tourism sector that could be the envy of other countries.

North of the Dead Sea, the Rift Valley is well developed for irrigated agriculture, but 40 years of political division have left the sensitive southern regions largely neglected.

The adjoining cities of Aqaba and Eilat, separated by a border, have duplicated their port, airport, sewage treatment and other facilities.

At the heart of the new project is the \$3 billion Red Sea-Dead Canal. The canal would utilize the 400 meter difference in elevation between the Red Sea and the Dead Sea to generate 600 megawatts of hydroelectric power, which in turn could produce 800 million cubic meters of desalinated water annually.

Economic powerhouse
The availability of water and power would then open the way to industrial, agricultural and tourist projects that could transform the arid southern regions on both sides of the Jordanian-Israeli

"Seed" activities

The fast track projects fall into four categories. The first covers steps to take advantage of the new open border between Jordan and Israel and includes road links and border crossings, trade and transport facilities, and joint tourism promotion.

Next come "seed" activities such as R&D: training in agriculture, fish farming and water management; and cooperation on urban planning, which will lay the foundations for later coordinated development.

The third category covers projects for environmental protection and tourism, including a Marine Peace Park and the Lowest Park on Earth on the Dead Sea.

The fourth category includes the connection of electricity and communications grids and coordination in airport management and development in Aqaba and Eilat.

Work is already underway on the connection of the Jordanian and Egyptian electricity grids as part of a wider project that takes in Saudi Arabia, Syria and Iraq, making Israel's inclusion one of its earliest moves into the wider Arab region.

Officials on both sides of the Jordan River see the Rift Valley project as a testing ground for cooperation and, they hope, an early indicator of the practical benefits of peace.

Pamela Dougherty



"A rose-red city half as old as time..." Petra faces the problem of maintaining a balance between the needs of tourists and the need for preservation.

DEMAND FOR WATER AND POWER LEADS TO MAJOR PROJECTS

The aim is, first, to cater to Jordan's expanding consumption and then to make the country one of the region's exporters of energy.

The race to keep up with a soaring demand for water and power is pushing Jordan's Ministry of Water and Irrigation and the Ministry of Energy and Mineral Resources to explore new sources and new ways of funding them. Electricity consumption is growing by 10 percent annually, and the annual demand for 220 million cubic meters of water for domestic and industrial consumption is expected to increase to 425 million cubic meters by the year 2025.

Normal approaches to growth estimates are being challenged, however, by the enormous potential for economic expansion opened up by the peace process. The average Jordanian uses 110 liters of water per day, but the average tourist requires around 1,000 liters, and the tourist industry is one of the fastest-growing elements of the economy.

Peace with Israel has brought some relief, and Jordan expects to regain around 150 million cubic meters annually that now go into the Israeli supply. But major efforts, says Minister of Water and Irrigation Saleh Irsheidat, are focused on better management of existing resources through the upgrading of networks, prevention

of pollution and recycling. Two major projects will be presented at the Amman summit. The first is a 310-kilometer pipeline to bring 100 cubic meters of water

'Our strategy is to have enough power to supply any industry coming up'

annually from Disi in southern Jordan to Amman. With costs estimated at \$500 million, the project is beyond the government budget, says Mr. Irsheidat, so it is being promoted on a build-own-

transfer or build-own-operate basis. Secondly, the \$250 million Southern Ghors Integrated Project involves three dams on the eastern side of the Dead Sea and will add a further 55 million cubic meters to the supply, most of it for Dead Sea minerals-based industry and tourism, with some for irrigation. Other major regional projects being discussed include pipelines from Turkey and Iraq.

We are open to talking about every kind of project," says Mr. Irsheidat, "and if we are talking of peace for 100 years, we could bring water by pipeline. But ultimately there is only one way open - we will have to go to

desalination in 10 to 15 years, despite the cost."

New turbines

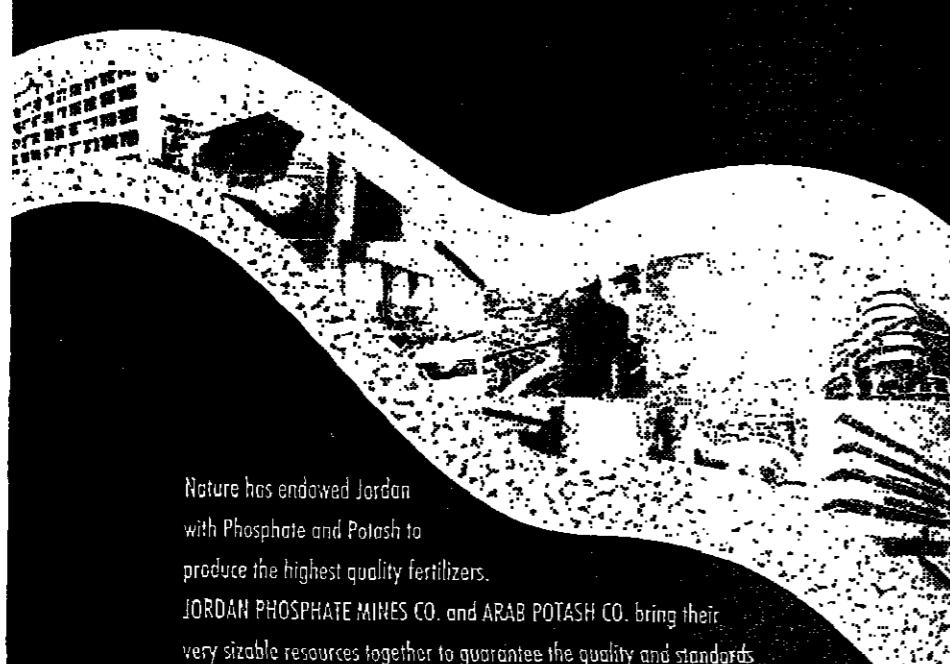
The increase in demand for electricity is already putting Jordan's electricity network under pressure. Work is under way to add two 130-megawatt turbines to the Aqaba thermal power station and Minister of Energy and Mineral Resources Sameh Darwazeh wants to go a lot further.

"Our strategy is to have enough power to supply any industry coming up in the next six years and to have the cleanest source of energy possible," he says. "And then we want to go into business and export electricity."

Efforts to find oil and gas resources to feed Jordan's power stations are receiving new impetus with the establishment of the government-owned but independent National Petroleum Company. New exploration agreements have been reached with two U.S. oil companies and one from Malaysia, and discussions are being held with Enron of the United States for a joint venture to exploit local gas reserves.

Also on the minister's list are a second Enron project to establish liquefied gas storage facilities, and plans for an offshore oil refinery and for a new power station in Aqaba, all to be funded by private investment.

JORDAN IS YOUR RELIABLE SOURCE PHOSPHATE * POTASH * FERTILIZERS



Nature has endowed Jordan with Phosphate and Potash to produce the highest quality fertilizers.

JORDAN PHOSPHATE MINES CO. and ARAB POTASH CO. bring their very sizable resources together to guarantee the quality and standards demanded by each and every customer.

JPMC and APC combined entrusted with the development of Phosphate mines and Dead Sea resources through joint ventures to produce Phosphatic Fertilizers, Bromine, Magnesia and related products. In addition to being the major contributors to Jordan's economy and the well-being of world agriculture right through the next century.

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6 Janan St.
P.O.Box 1470
Amman 11118, Jordan
Tel: 622-655116
Fax: 674416 Tlx: 22152

AQABA AWAKES TO ITS REGIONAL ROLE

Jordan's southern port has expansion plans to meet the new opportunities presented by political developments.

You can now hop on a bus serving Jordan's southern port of Aqaba, Eilat in Israel and the Egyptian resort of Taba. As dreams turn into reality in the Middle East, Aqaba is finding itself on the cutting edge of change.

It has always been a town of not-quite-realized potential. Aqaba has an efficient, well equipped port, but traffic has come and gone with the shifts in the political winds - during the Iran-Iraq war it was handling 20 million tons of cargo annually; today traffic is down to 10-11 million tons.

It has also had success in attracting industry, notably the Jordan Phosphate Mines Company's fertilizer plant and packing facilities for bulk food commodities, and it is the location for Jordan's second major power plant. But there is strong evidence that the best is still to come.

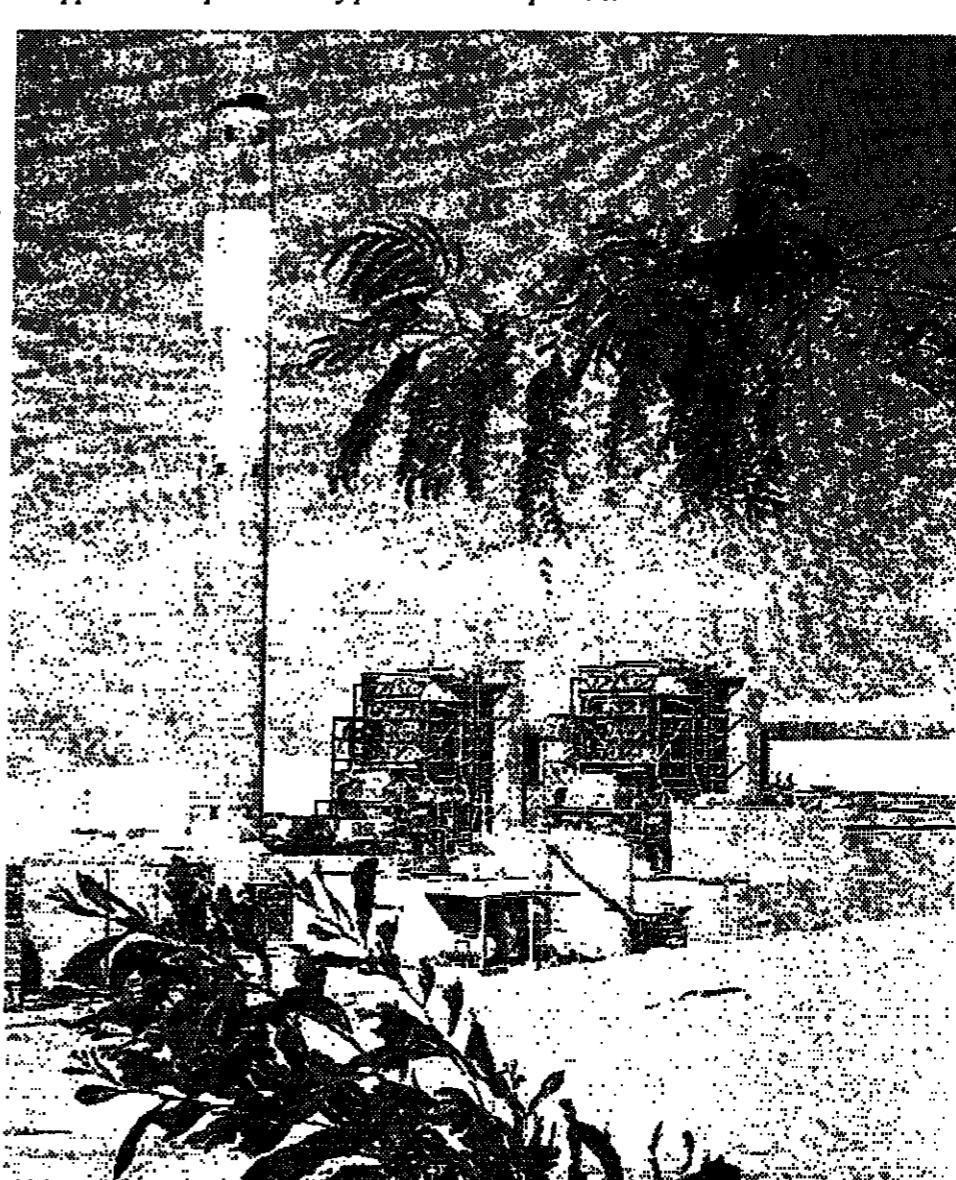
Master plan
The Aqaba Ports Corp. is keen to meet the new opportunities head-on, says Director-General Dureid Mahasneh, outlining plans to expand handling capacity from 25 to 30-36 million tons annually, lower port fees, boost efficiency and expand and improve free zone facilities. "The Japanese government is already funding preparation of a master plan for the port that will take into consideration the political changes in the region," says Mr. Mahasneh, "and the corporation is considering the relocation of some activity from the central port to the industrial port on the south coast."

What will make the process a real success is the potential for the opening up of the region's once tightly closed borders.

Already on the drawing board are plans for a ring road connecting Egypt, Israel, Jordan and Saudi Arabia and a rail link from Aqaba to the Dead Sea, opening prospects for the use of Aqaba for Israeli minerals exports; a north-south highway along the Jordan River; and joint facilities for the transfer and warehousing of goods at border crossings and seaports.

Expansion of the Aqaba international airport is targeted mainly at the tourist industry, but will also boost the city's business potential.

The importance that Jordan is placing on the development of Aqaba can be seen in the projects it is presenting at the Amman summit. The list includes at least four major industrial projects to develop the mineral resources of the Dead Sea, all offering major export potential. These, combined with a \$25 million multipurpose jetty and a \$10 million passenger berth, both serving regional needs, and the road and rail projects, should finally give Aqaba the chance to play the role of a regional industrial and transport hub.



The power station at Aqaba - plans are in hand to add two 130-megawatt turbines.

Middle East & North Africa Economic Summit

THE JORDAN PORTFOLIO

Opening the door for investment

About 600 delegates from more than 60 countries will be attending the Middle East & North Africa Summit, which opens on Oct. 29 in Amman.

The conference is the result of the Middle East peace process that started in Madrid in 1991. It brings together business and government leaders whose aim is to examine regional policies and structures that will lead to the integration of the region into the global economy. Jordan, which is hosting the conference, also has a key role to play as an important economic partner in the region. Jordan is announcing about \$14.5 billion worth of new projects requiring foreign investment and the transfer of technology. The government has introduced a new liberal investment law, including changes to the tax system and customs duties.

A Message From His Majesty King Hussein



The great cultures of the Middle East and North Africa have prospered from their interaction with other peoples. Indeed, mankind's first civilizations were born in the Middle East, at the crossroads of three continents. The lands of the Middle East and North Africa flourished with a vibrant exchange of ideas and trade both among themselves and with Asia, Africa and Europe. The vitality and grandeur of these civilizations were based on a rich tradition of diversity and openness. A return to this heritage is what we seek today.

Throughout most of this century, our region was paralyzed by two core problems: colonialism and the Arab-Israeli conflict. While the era of colonial domination ended decades ago, Arabs and Israelis are only now drawing our long, bitter struggle to an end. With the achievements of a lasting, comprehensive peace based on justice, the peoples of the Middle East and North Africa can finally remove the obstacles that have hindered us from building our societies and our future. Only by drawing from our common wellsprings of tolerance and interaction can the children of Abraham build a prosperous tomorrow.

The barriers which once divided us are gradually being transformed into bridges of cooperation, and fresh winds of political freedom and economic liberalization are breathing new life into the Middle East and North Africa. As a continuation of the path we embarked upon in Madrid, the annual Middle East and North Africa summit aims to ensure that the peace we are building grows to bear fruits of prosperity and stability both for ourselves and for generations to come.

May the success of this summit bring blessings to the peoples of our region, who have long suffered and today look for the chance to create a better future for themselves and for their children.

His Majesty King Hussein I

Main features of the Investment Promotion Law 1995

An independent Investment Promotion Corporation is to be established. Its objective will be to promote investment in Jordan by:

- Identifying and promoting investment opportunities.
- Simplifying administrative procedures for registration and licensing of new projects, providing for the follow-up of existing projects and the reduction of official bottlenecks.

• Obtaining the necessary licenses and permits on behalf of potential investors. The Minister of Industry and Trade may license a project on its own behalf if other ministries and public authorities fail to give a justified reason for granting, or not granting, a license within 30 days of an application being submitted by the investor.

- Offering advice, information and data to investors.
- Creating investment promotion programs within the kingdom.

The following is a summary of some of the main points in the Investment Promotion Law 1995:

Guarantees for international investors

In accordance with the law, a foreign investor will receive the same rights as a Jordanian investor.

• A non-Jordanian investor in any project that is subject to the provisions of the law shall be treated in the same way as a Jordanian investor.

• A non-Jordanian investor has the right to invest in the kingdom on a 100 percent ownership basis, as a partner or an equity shareholder, according to the provisions of by-laws issued for this purpose.

• A non-Jordanian investor has full managerial control and may select his own personnel.

• A non-Jordanian investor has the right to full repatriation of capital and profits under this law and previous legislation.

• Non-Jordanian technicians and administrative staff may freely remit salaries and any compensation monies.

• No compulsory purchase by the government of any project shall take place unless it is in the national interest. The non-Jordanian investor should be adequately compensated and such compensation shall be freely transferable.

• Any dispute between the foreign investor and the government that cannot be settled within six months may be taken to

court or referred to the International Center for the Settlement of Investment Disputes in Washington D.C.

Strengthening the institutional framework

A Higher Council for Investment Promotion will be formed under the chairmanship of the prime minister. The deputy chairman will be the minister of industry and trade, and the minister of finance will also be a member. Additional council members will include representatives from other ministries, the chambers of commerce and industry and three persons from the private sector.

An Investment Promotion Corporation is to be established under the chairmanship of the minister of industry and trade. Its role will be to:

- Suggest investment policies, determine their priorities, establish programs and submit them for approval to the Higher Council for Investment.
- Establish branches of the corporation inside and outside the kingdom.

An Investment Promotion Committee will be formed with representatives from the departments of income tax and customs, the Ministry of Industry and Trade, and the private sector. Its role will be to:

- Consider applications from investors within a 30-day period. Reasons must be given if a project is rejected.
- Approve any extra exemptions specified by the new investment law.
- Consider any appeal by investors to the board of directors within 30 days of the rejection announcement.

Exemptions and exceptions

Fixed assets of projects are exempted from taxes and fees provided that they are imported within three years of the date of approval of the project and its fixed assets. The committee may extend the period, depending on the size and nature of the project.

Imported spare parts are exempt from taxes and fees provided they do not exceed 15 percent of the total value of the fixed assets and are imported within 10 years of the project's start-up date.

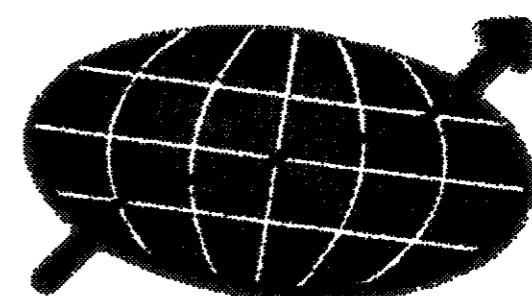
Fixed assets for expanding or modernizing the project are exempt if they result in not less than a 25 percent increase in production. Exemption also applies to fixed assets that have increased in value because of a rise in prices in their country of origin, higher freight charges or exchange rate fluctuations.

Exemption from income and social service taxes is granted from the start-up of industrial production or service for 10 years. The amount of tax exemption applied depends on the development area as follows: 25 percent for class A development areas, 50 percent for class B development areas and 75 percent for class C development areas.

Additional tax exemption may be granted if any expansion of the project results in increased production capacity. For every 25 percent increase in production, further exemption is granted for one year up to a maximum period of four years.

Hotels and hospitals are granted extra tax exemptions if they renew furniture and supplies and renovate once every seven years.

Amman '95



World Bank Backs Economic Reforms

Jordan has a stable economy that is enjoying steady growth, based on the provision of goods and services to the region and the world.

The gross domestic product is expected to grow by 6.2 percent in 1995, pushing total GDP to \$6.8-\$7 billion by the end of the year. The external current account deficit should decline to 5 percent of GDP. The budget deficit, excluding grants, is expected to be only 4.6 percent, and inflation is being held to below 4 percent.

The government's financial position has been helped by a rise in export earnings and tourism receipts (the latter rose by 13.4 percent in 1994) and the continuing growth in remittances from Jordanians overseas, which showed a 17 percent increase in the first five months of 1995, compared with the same period in 1994.

The government debt has also declined, from a high of \$8.6 billion in 1989 to around \$6.6 billion today, which means a drop from 230 percent of GDP to less than 100 percent.

The United States has been the only creditor willing to extend major debt forgiveness, with \$750 million written off, but other creditors have offered modest relief and are happy to explore debt-equity swap possibilities. The government of France has agreed to a \$100 million swap.

Unemployment declined from a peak of 25 percent in 1991 to 12-15 percent in 1993-94. The country's high annual population growth rate of 3.4 percent makes the creation of new employment opportunities a major challenge for government and private sector alike.

Trade remains heavily weighted in favor of imports, with the 1994 trade deficit standing at \$2.106 billion, but exports rose by 15 percent in 1994, and similar growth is expected in 1995. After a 1994 decline of 4 percent, imports are expected to increase by about 8 percent in 1995, but there is a shift from consumer items to raw materials and capital goods for the growing industrial sector.

Exports in the first seven months of 1995 were \$738 million, a rise of 20 percent over the same period in 1994, with vegetable oil, fertilizers, potash, phosphates and pharmaceuticals leading the field. Major export clients are India, Saudi Arabia and the United Arab Emirates.

Jordan's \$2.081 billion import bill was dominated by goods from Iraq, the United States, the European Union and Japan.

Improving economic performance has been underpinned by a successful structural reform program. This began following the debt crisis of 1988-89, survived the pressures of the 1990-91 Gulf War, and will continue until 1997.

Jordan's efforts have been supported by a stand-by arrangement from the IMF during 1992-93, a three-year extended IMF arrangement since 1994, sectoral loans from the World Bank and official external debt reschedulings from the Paris Club creditors.

Key elements of the current economic reform program include tariff reform and reform of the indirect and direct taxation systems. This represents a shift from a tax on earnings to a tax on consumption. Maximum customs rates, excluding cigarettes, alcohol and cars, have been reduced to 50 percent. A general sales tax of 7 percent was introduced in 1994 and has now been raised to 10 percent.

The new income-tax law reduces both corporate and personal taxes sharply. Tax rates for industry, mining hospitals and hotels have been cut from 30 percent to 15 percent, on banks and financial institutions from 55 percent to 30 percent. The program is being supported by an \$80 million Economic Reform Development Loan from the World Bank. The loan is expected to be matched by the Japanese government and also includes \$20 million from the Italian government.

The total of \$180 million will be available for balance of payments support, to cover imports or to build reserves.

THE PRIORITY PROJECTS

(Value in US\$ million)

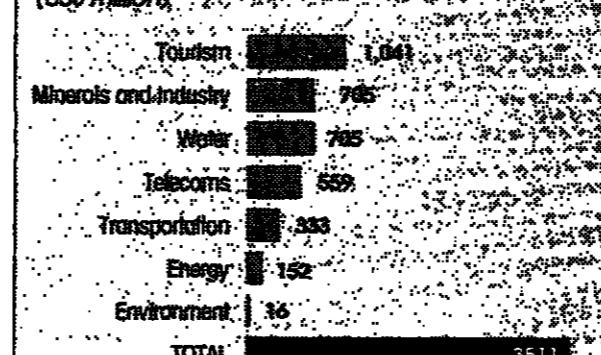
SECTOR	PROJECT	EST. COST	CLASS	FINANCE
ENERGY	Power system interconnection	16	R	G
ENVIRONMENT & GENERALIS & INDUSTRY	Hazardous waste management	4	N	G & P
	Industrial workshops	78	N	P
	Potassium sulphate & a-calcium phosphate plant	320	M	G & P
	Phosphate rock plant	111	N	G & P
	Phosphate and complex industrial minerals	142	N	G & P
	Copper exploration	9	R	G & P
	Granite quarrying	11	R	G & P
	Oil and gas exploration	11	R	G & P
	Bromine and derivatives	14	R	G & P
	Jordan Potash	14	R	G & P
	King Hussein Bridge	14	R	G & P
	King Abdulla Bridge	9	R	G & P
	Jordan Valley Bridge	11	R	G & P
	Prince Mohammad Bridge	11	R	G & P
	Western Border	14	R	G & P
	Abu Qiran highway	14	R	G & P
	Abqaq coastal highway	27	R	G & P
	Kufra-Quda'a highway junction	31	R	G & P
	S-Shun - N-Shuna highway	108	R	G & P
	Abqaq-Wadi 11 & Esheyley link	31	R	G & P
	Multi-purpose jetty Abqaq	25	R	G & P
	Abqaq International Airport	35	R	G & P
	Frequency measurement licensing	52	N	G & P
	Desalination	522	N	G & P
	National Informatics	20	N	G & P
	Private sector opportunities	104	N	G & P
	Abqaq development	500	R	G & P
	Dead Sea project	14	N	G & P
	Dead Sea salt infrastructure	500	R	G & P
	Dead Sea salt infrastructure	27	N	G & P
	Southern Ghori development	300	N	G & P
	Dak-Aman pipeline	405	N	G & P
RAILWAYS				
SEA PORTS				
AIRPORTS				
TELECOMS				
TOURISM				
WATER				

G = Government

N/A = not applicable

TOTAL INVESTMENT BY SECTOR

(US\$ million)



PRIVATE SECTOR PROJECTS

PROJECT NAME	SPONSORED BY	FAX #	PROJECT NAME	SPONSORED BY	FAX #
50 Synthetic Leather Production	Jordan Tanning Co. Ltd.	(962-6) 821947	10 Agiba Hotel & Village Resort	Arab International Hotels Co.	(962-6) 625200
51 Unplastered Furniture Factory	Sami Habibat & Sons Factory for Furniture & Wood Manufacturing	(962-6) 822743	11 Dead Sea Hotel & Village Resort	Arab International Hotels Co.	(962-6) 625201
52 Industrial Park	Indus Rehabilitation & Development Co. Ltd.	(962-6) 822743	12 Dead Sea Tourism Development Project	Arab-Sharg Investment Projects Co.	(962-6) 827201
53 Carbon Electrode Production	Jordan Paper & Cardboard Factories Co. Ltd.	(962-6) 823481	13 Electronic Medical Data Exchange	National Electronics System	(962-6) 649516
54 Hydrogen Peroxide Production	Chemical Industries Co. Ltd.	(962-6) 821953	2 Radio Therapy Unit	Jordan Hospital	(962-6) 656204
55 Calcium Chloride Production	Peta Training Co. Ltd.	(962-6) 820107	3 Radiation Therapy & Rehabilitation	Jordan Radiology Research Co.	(962-6) 656204
56 Calcium Chloride Production	Jordan Ceramic Industries Co. Ltd.	(962-6) 820107	4 Pharmaceutical Products Factory	Middle Eastern Pharmaceutical Co. Chemical Industries	(962-6) 656243
57 Glycom Board Production	The Printing & Publishing Executive Books & Stationery Arab Co.	(962-6) 821972	5		

SPORTS

Lemieux Scores Career 500th

The Associated Press

After a year off, Mario Lemieux isn't wasting much time rounding into form.

Lemieux was at his best as his three-goal performance helped the Pittsburgh Penguins beat the New York Islanders, 7-5, and gave him 500 goals for his career.

"He seems to get better every night," teammate Tomas Sandstrom said of Lemieux.

NHL HIGHLIGHTS

who has six goals in six games this season. "It's a pleasure to play with someone like that."

Lemieux's hat trick was the 32d of his career. With 500 goals in 605 games, no one has reached the milestone faster in NHL history with the exception of Wayne Gretzky. The Great One did it in 575 games.

"I didn't feel very good in the first two periods," said Lemieux, who sat out last season to recover from back problems and Hodgkin's disease. "That quick goal [19 seconds into the third period] got us going, and the ice seemed to open up after that."

Lemieux scored once in the first period, then connected twice in the third as the Penguins rallied after falling behind, 4-3.

Lemieux tied the game 19 seconds into the final period, won a draw to set up Sandstrom for the go-ahead goal at 10:36 and hit the milestone with a shot from the slot past Tommy Soderstrom with 2:48 remaining to cap the scoring.

Lemieux's 500 goals tied him for 19th place on the NHL's career list with Lanny McDonald.

"I knew that I needed one

more," Lemieux said of his third goal. "Tomas Sandstrom made a good play to get me the puck and I just went for the five-hole."

Sandstrom added two goals for the Penguins, but it was Lemieux that all the Islanders were talking about after the game.

"He does just about everything," Marty McInnis said. "He dominates games, and it looks like he does it without even trying."

Senators 5, Kings 4: In Ottawa, Sean Hill's bizarre goal on a 120-foot (35-meter) slap shot from his own blue line capped a three-goal third period as the Senators came from behind to defeat Los Angeles.

Hill, a defenseman whose only other goal this season was a game-winner scored from near center ice in Tampa Bay, inexplicably slapped the puck as he crossed his own blue line with 3:21 remaining in regulation time. The low shot skipped past Byron Dafoe in the Kings' net to give the surprising Senators a three-game winning streak, a 5-3 record and first place in the Northeast Division.

It was the second straight loss for the Kings, who slipped to 4-2-3 after going without a defeat in their first seven games.

Capitals 4, Bruins 2: Jim Carey made 31 saves and Keith Jones had a goal and two assists as Washington beat Boston, the Bruins' first loss in their new home.

Jones combined with Sylvain Cote and Brendan Witt on two goals to stop Washington's two-game losing streak. Witt scored his first NHL goal with 3:48 left in the second period to break a 2-2 tie, and Steve



Travis Green battles Penguins' Ron Francis for the puck.

Konowalchuk made it 4-2 with his first of the season 40 seconds into the third.

Boston opened the season at FleetCenter with a victory and a tie before embarking on a five-game (1-3-1) road trip.

Rangers 4, Lightning 4: In Tampa Bay, Mark Messier scored his second goal with 53 seconds remaining in regulation to give New York a tie with the Lightning.

Messier fought off defenseman Roman Hamrlik to score an assist from Adam Graves, completing a two-goal comeback in the final nine minutes.

Maple Leafs 2, Blackhawks 1: Benoit Hogue and Todd Gill scored first-period power-play

goals, and Toronto held on to win at Chicago. The Blackhawks, who managed only 11 shots on Felix Potvin in the game's first 54 minutes, ruined Potvin's shutout bid with 1:20 to play on Jeremy Roenick's power goal.

Stars 5, Mighty Ducks 2: In Dallas, Todd Harvey broke a 1-1 tie with a power-play goal early in the second period and Jamie Langenbrunner and Jere Lehtinen notched their first NHL goals to power the Stars over Anaheim.

Darcy Wakulak continued to spark for goal for Dallas, turning aside 32 shots to improve his record to 3-1-2 and push the Stars over .500 for the first time this season (4-3-2).

from Hong Kong was delayed more than an hour on the other side of the border. Exit and entry forms were the problem, the rumors said.

The time passed in a jovial way at both rest stops, with people being told to pile off their four yellow double-decker buses and then immediately being told to please, please, get back on the buses. At one point in China the dozen accompanying journalists were told to leave the

time too, 2 P.M. Shenzhen Sports Complex time. Fifty-five kilometers (34 miles) and one hour 18 minutes, 22 seconds later the stage ended in a victory by Damien Nazon, a French sprinter with the Castorama team, which, unlike Shenzhen, will go out of business at the end of the year.

A lot Nazon cares. He will sign after the Tour of China with the Banesto team in Spain led by Miguel Indurain and heretofore lacking a fine sprinter. The 21-year-old Frenchman, who was an amateur until a few weeks ago, is their boy.

He proved that by beating one of the better sprinters around, Djambouline Abdoujaparov, an Uzbek with the Novell team, whose name was as unpronounceable to the Chinese announcer as it was to the American one. Third was Robbie Ventura, an American with the USPro team. The pack of 104 riders, divided into 15 teams of 7 men each, crossed the line mainly in the same time as Nazon.

Steve Hegg, an American with USPro, continued in the overall leader's yellow jersey that he won Thursday in the prologue in Hong Kong.

The race finished at the Mission Hills Golf Club, decidedly palatial sprawl. Several hundred people, some in elegant golfers' clothes and some wearing the conical straw hat of the peasant, gathered there to watch the racers in mild weather under overcast skies.

Parts of the route, a sleek new expressway that was closed to all traffic but the Tour of China's, were also lined with crowds. Bicycle racing at the amateur level is a somewhat popular sport in China, where the bicycle is more commonly used as a means of transportation for people and goods.

At least in Shenzhen, cars do not seem to be rare but they are not plentiful either. Each of the 15 teams had a car for its own use in the race and some were requisitioned taxis with their meters hooded.

The oldest appeared to be the vehicle given to the Saturn team from the United States, which showed more than 725,000 kilometers on its odometer. That will have to be turned back to a respectable 600,000 kilometers before the car is sold in the next decade or two.

Ahead of the Pack With an Entry Visa

By Samuel Abt
International Herald Tribune

SHENZHEN, China — In the end, almost everybody agreed Friday, it was the Kazakhs' fault. Definitely. Not the Italians' and not the Belgians' either.

The only dissenters might have been the Kazakhs themselves, the seven-man team in the first Tour of China bicycle race and their handful of mechanics and officials. But who was listening to them? Who spoke Kazakh other than the Kazakhs?

Certainly not the Chinese border guards — the friendly men and women in the green uniforms of the army and the scowling men in the white uniforms of the police, bearing enough gold braid on their caps and shoulder boards to humble the chairman of the U.S. Joint Chiefs of Staff.

Somebody in that group, or perhaps it was the nervous man in the sharkskin suit on the bus who looked like a police undercover agent and, the rumor mill said, turned out to be a police undercover agent, decided that the Kazakhs' visa was irregular.

Not exactly irregular, the rumors had it, but sort of Russian. Since the breakup of the evil empire, Kazakhstan has been an independent country but before that — well ...

And everybody knows how the Chinese feel about the Russians or are supposed to feel about them or used to feel about them. (In fact, the language barrier was not that great since fair-skinned Kazakhs, the bulk of the team, speak Russian but that would surely have confirmed suspicions.) Perhaps it really was true, as the first rumor had it, that two riders, no, make that four riders, did not have Chinese entry visas. No, make that the entire Mapei team from Italy and the entire Colistrop team from Belgium did not have individual visas but each one sheet of a collective visa that was not acceptable to somebody in a green or a white uniform or even a sharkskin suit.

Or something.

In any case, the entry of the Kent Tour of China into China was delayed for nearly two hours at the border with Hong Kong on Friday after the departure of the

buses with their baggage, which did wonders to uplift the mood of the many representatives of the race's sponsors and advertisers aboard.

Once down, the journalists were told to get right back up. A mischievous maker re-entered his bus and announced that the authorities had decided instead to round up all petty bourgeois elements, namely businessmen, for re-education clinics. Just joking, folks.

The crossing point was at Shenzhen, a Special Economic Zone, which is often written with the "S" in "Special" barred vertically into a dollar sign.

The business of Shenzhen, a charming collection of skyscrapers, building sites and corrugated tin sheds, is, what else? business.

As the buses carrying the Tour of China entourage sat first on one side of the frontier and then the other, members could notice a reversal of stereotypes: On the Hong Kong side, meadows and fish ponds; on the China side, a horizon full of high-rises and the national bird of China, the crane, as in building crane.

Of course, the Tour of China did make it across, speedily through the city with a police escort. The buses pulled in to the Shenzhen Sports Complex, a huge soccer stadium, more or less on schedule, a good two hours before the riders began the first stage. Somebody seems to have anticipated a bit of delay at the border.

And the first stage of the first professional bicycle race in China began on

BASKETBALL

NBA Preseason

Thursdays Results

New York 95, Orlando 73

Minnesota 119, Washington 110

Los 2, Ukraine 6

Palermo 1, Vicenza 0

SCOTTISH LEAGUE CUP

Semifinal

Dundee 2, Altrincham 1

TENNIS

EUROCARD OPEN

In Essen, Germany

Results

Pete Sampras vs. U.S. det. Jim Courier (1), U.S. 6-2, 7-6 (6); Mats Wilander, Sweden, 6-3, det. Thomas Enqvist (3), Sweden, 7-5, 6-4; Arnaud Boetsch, France, det. Richard Krajicek (13), Netherlands 6-4, 6-2.

SOCER

DUTCH FIRST DIVISION

Feyenoord Rotterdam 2, De Graafschap 0, 9

Eindhoven 2, Heracles 21; Willem II

Tilburg 2, Feyenoord Rotterdam, 17; MAC Breda and RKC Waalwijk 16; Roda JC Kerkrade, 15

FC Twente 1, Enschede 16; Vitesse Arnhem, 12

NEC Nijmegen 1, FC Groningen 11; SC Heerenveen 12

Go Ahead Eagles Deventer; De Graafschap Doetinchem and VVV Venlo 4.

ITALIAN CUP

Third Round

Alstria 1, Juventus 0

AC Milan 2, Fortitudo 0

Parma 2, Lecce 0

Lazio 2, Udinese 0

Palermo 1, Vicenza 0

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ITALIAN CUP

Third Round

A Final of Rugby Favorites

Australia Faces England at Wembley

By Ian Thomsen

International Herald Tribune

LONDON — What was supposed to be World Cup has become a three-week lap for two teams around Britain. On Saturday host England and defending champion Australia will meet in the final at Wembley, three weeks after they launched the Rugby League World Cup there.

Only 40,000 people attended that meeting, a pleasant 20,000 surprise for England, probably because the northern English who live for (and have been dying with) rugby league preferred to wait for a rematch in the final. A larger crowd is expected this time, and an even better contest; but overall this hasn't been a world event any more than rugby league, celebrating its centenary, is a world game.

England and Australia, the two favorites, have spent the last 19 days plotting against each other at the expense of the tournament's remaining eight teams.

The brunt of the work has fallen on Australia, which came in rusty and without any of the players who have defected to Rupert Murdoch's Super League. The Kangaroos have won the four World Cups since 1975, but with 11 of its 17 men 24 or younger the current group looks vulnerable — especially at Wembley, where Australia has lost three of four matches in the last five years. The one Australian victory came in the 1992 World Cup final, a 10-6 beating of Britain in front of more than 73,000.

"Statistics show Wembley seems to give an advantage to the home side, but I don't honestly think it will influence Saturday's game that much," said Australian scrum-half Geoff Toovey, 26. "We are looking forward to playing there again."

Toovey will set the example. "If there is a better pound-for-pound player in the world, tell me who it is," said Australia's coach, Bob Fulton. He is also proud of 23-year-old Brad Fittler, the world's highest-paid player at



Australia's Geoff Toovey up against New Zealand.

1.05 million Australian dollars (\$795,000) this season.

Toovey will find a different England scrum-half in 23-year-old Bobby Goulding, the semifinal man-of-the-match replacing injured Captain Sean Edwards. Martin Offiah, the most explosive player in the world, returns for England after missing the first Australasia game.

Of the nine World Cups played sporadically since 1954, Britain holds the three not won by Australia. The Britain team was split into England and Wales for this year's larger World Cup.

Oddly, the final will serve as a distraction from the greater issues which have besieged rugby league this month. A more important (and destructive) game is the one in Sydney High Court between Murdoch and Kerry Packer, who con-

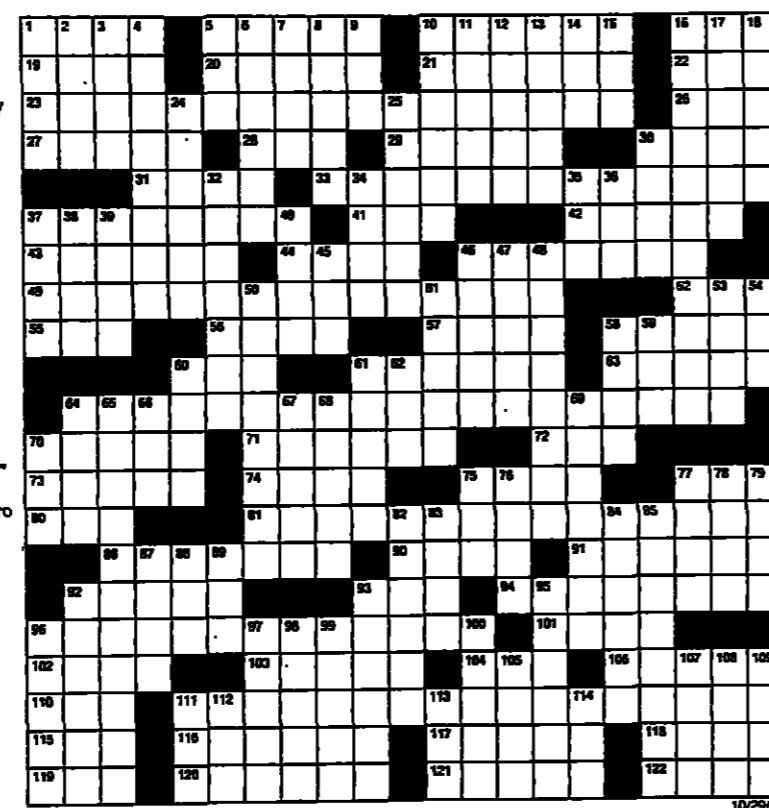
trols the current establishment in Britain. Wales reached the semifinal but that result never seemed as important as the outcome (still pending) of star Jonathan Davies' proposed move back to rugby union, the 15-man game.

Thirteen-man rugby league has shown itself to be a faster, more open game of better athletics than the other code. Rugby union is trying to negotiate its own escape from amateurism, with some officials admitting that the game is too slow, the laws too convoluted to attract a larger TV following; nonetheless, compared to the popularity of rugby union's World Cup in South Africa last June, the rival version this month has disappointed.

It's a funny consolation, after 100 years in the game, that this World Cup final is finally beginning.

PLAYING FAVORITES By Maura B. Jacobson

- ACROSS**
- Puncturing tools
 - On the way out
 - Blood component
 - Harper Valley grp.
 - Fly swatter, of a sort
 - Kind of cat
 - Womanizer
 - Vine chonce
 - Joey Buttafuoco's favorite song
 - Flight board abbr.
 - Poms' acquaintances
 - Be beholden to
 - Gone from the plate
 - Ghanian language
 - Multipurpose food fix
 - Tatum O'Neal's favorite film
 - Bedfellow
 - Inquired, in Dogpatch
 - 42 It gives one a leg up
 - 43 Fictional miser
 - 44 Cast assignment
 - 46 Items pitched on late-night TV
 - 49 Dr. Kevorkian's favorite rock group
 - 52 Word of woe
 - 55 Pin —
 - 56 The least bit
 - 57 Flat plinth
 - 58 Complain
 - 60 Fannie of finance
 - 61 Firestone product
 - 63 Trained
 - 64 Di's and Fergie's favorite play, with "The"
 - 70 One of the Wyeths
 - 71 Happines restaurant
 - 72 Bit of pizzazz?
 - 73 Echo, for one
 - 74 Movie base for Broadway's "Carnival"
 - 75 All over
 - 77 Agra word
 - 80 Him that's a Hurl
 - 81 Julia Child's favorite comedy
 - 88 Lord's land
 - 90 Hair-grooming aids
 - 91 Mishka's milieu
 - 92 Debussy opus
 - 93 Future fish
 - 94 Sequesters
 - 96 Darryl Strawberry's favorite movie
 - 101 Olive's family
 - 102 Diva's big moment
 - 103 Italian actress Stoller
 - 104 Cleo's undoing
 - 106 "Animal House" nickname
 - 110 "Winterset" hero
 - 111 Bill Gates' favorite restaurant
 - 115 Lamb
 - 116 Jellicle in a murder series
 - 117 Troublespot
 - 118 Govt. disaster-aid initia
 - 119 Part of T.G.I.F.
 - 120 This Sporting Life" writer
 - 121 No longer hungry
 - 122 Order to an imp, with "up"



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- DOWN**
- Upon
 - Fade
 - Trounce
 - Nearly snowing
 - Wok
 - No holds barred
 - Poky
 - Cut off
 - Sight size
 - Flexible
 - Larvans
 - Needed liniment
 - Writer Alexander
 - One on the rolls: Abor.
 - Ending with diet or diction
 - As fast as possible
 - Animal restraint
 - Robin of balladry
 - Related compound
 - Ermine, e.g.
 - she blows!
 - Kind of look
 - Supung Dam site
 - Inquired, in Dogpatch
 - 40 "I hope to see London once — die": Shak.
 - 45 Time and again
 - 46 Line of type
 - 47 80's-90's NBC drama
 - 48 More than an admirer
 - 50 Pino's "Trelawny of —"
 - 51 Noodleheads
 - 52 Dilly
 - 53 Converted sofa
 - 54 Robin of balladry
 - 55 "76 Each Own"
 - 56 The Post-TV companion
 - 61 Double a knot
 - 62 Peer Gyn's mother
 - 64 Mate for 60-Down
 - 65 Telecommunications giant
 - 67 "be Queen o' the May"
 - 68 Okinawa's capital
 - 69 Himalayan hike
 - 70 Man from Uz
 - 71 Union abbr.
 - 72 End of a certain game
 - 73 Suit to —
 - 75 "West Side Story" gang
 - 82 Old Greek mists
 - 84 High schooler
 - 85 Candle source
 - 85 Leave the pad
 - 87 Lady Hamilton
 - 88 "Cry — River"
 - 89 Directional suffix
 - 92 Will Rogers prop
 - 93 Fashion show locale
 - 95 1982 Oscar portrayal
 - 96 Great Prince of the Forest

Solution to Puzzle of Oct. 21-22

- 65 Text corrections
- 66 River inlet
- 67 Ancient Troy
- 68 Water regulator
- 69 Paper distributor
- 70 Man from Uz
- 71 Union abbr.
- 72 End of a certain game
- 73 Suit to —
- 75 "West Side Story" gang
- 82 Old Greek mists
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- 93 Fashion show locale
- 95 1982 Oscar portrayal
- 96 Great Prince of the Forest

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Indians Hold On to Edge Braves, 5-4

Hershiser and Thome Stop Maddux

By Murray Chass

New York Times Service

CLEVELAND — Mirrored in adversity for the first time in their wondrous season, the Cleveland Indians played their last game at Jacobs Field this year, but they extended their year by at least one game.

Down by three games to one in the World Series and facing Greg Maddux, the consensus choice as the best pitcher on the planet, the Indians teetered on the brink of an early exit from their first World Series in 41 years. But Orel Hershiser, a veteran of these games, and Jim Thome, a newcomer, nudged them back from the precipice.

Hershiser, who lost to Maddux in the Series opener, outpitched him this time as the Indians edged the Braves, 5-4, and forced a sixth game in Atlanta on Saturday night. Thome

produced the critical hits, a two-out, tie-breaking single in the sixth inning against Maddux and a home run against Brad Clontz in the eighth that became the decisive run.

Maddux, who in the opener allowed only two opposite-field singles and a pair of unearned runs, gave up four runs in seven innings this time. Albert Belle slugged a two-run homer in the first inning, and Thome and Manny Ramirez stroked run-scoring singles in the sixth.

"His command wasn't as good as it was last time," Bobby Cox, the Braves' manager, said.

But Maddux, taking the defeat manner-of-factly, didn't see

any difference. "I felt like I threw the ball as well as I did last week," he said. "They just hit it." The pitch to Belle — that's a pretty good pitch he hit. It was the same ball he flew out with to right in Atlanta last week. It just carried a little bit farther this time. Thome hit a good pitch. Ramirez hit a good pitch. They put the bat on the ball. Last week it went to people. This week it didn't."

Belle's home run, his second opposite-field home run in three times at bat spanning Games 4 and 5, followed with a single to right for another run. When Thome batted the next time, in the eighth, he drove the ball to center field again, but this time over the fence.

With the Indians ahead, 5-2, Hershiser retired for the night, having allowed two runs, one earned, and five hits in eight innings. Jose Mesa came in to put a quick end to the game, but Fred McGriff doubled to right with one out and Ryan Klesko hit his third home run in the three games at Jacobs Field.

Just like that, the Indians' lead was a mere run.

Mark Lemke was the next batter, and he knew what he had to do if the Braves were going to wrap up the World Series in five.

"He put it on the outside corner of the black, where he needed to keep it," Lemke said. "Chances with guys like that are slim."

Polonia, who now had driven in critical runs in three consecutive games, rapped a scorching grounder but right at Vizquel. The deft shortstop quickly turned it into an inning-ending double play.

"I hit that one better than the homer," Polonia said, lamenting his luck. "I couldn't have hit it better than that."

The double play loomed large when the Indians jumped on Maddux for two more runs in the sixth. With one out, Carlos Baerga doubled to left field. Belle was walked purposefully and Eddie Murray hit a fly to right, enabling Baerga to move to third.

That brought up Thome, whose World Series batting chart read two hits in 14 at-bats. He rapped a single up the middle, and Ramirez followed with a single to right for another run. When Thome batted the next time, in the eighth, he drove the ball to center field again, but this time over the fence.

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"He put it on the outside corner of the black, where he needed to keep it," Lemke said. "Chances with guys like that are slim."



Eddie Murray warning Greg Maddux: A pitch too close.

from both dugouts rushed on the field.

"I might have thrown it a foot more inside than I wanted to," Maddux said later. "I've never taken a home run out on a guy who hits after the guy who hit it. I don't believe in it. I wasn't throwing at him. I have a lot of respect for Eddie."

minus-8 in turnovers — the third worst in the NFL.

Cowboys (6-1) at Falcons (5-2): Key stats: Emmitt Smith leads the league in first downs with 54 (48 rushing, 6 receiving). Atlanta's Eric Metcalf is No. 3 in the NFC in punt return average with 11.2 yards.

Comment: Deion Sanders, a former Falcon, makes his 1995 NFL debut for the Cowboys. As a 49er last year he needed the Falcons at home with a 90-plus yard interception return for a touchdown. Cowboys by 10½.

Rams (5-2) at Eagles (4-3): Key stats: Isaac Bruce leads the NFL in receiving yards with 833. The Eagles have the league's No. 1 rushing attack (157.1 yards a game) and the NFC's No. 3 rushing defense (88.6 yards a game).

Comment: The Rams were brought back to earth last week by the 49ers in a humiliatiating fashion. Quarterback Chris

NFL MATCHUPS

Miller actually apologized to team owner Georgia Frontiere for not showing up to work last Sunday. His four interceptions resulted in 28 points for the 49ers. Eagles by 3½.

Packers (5-2) at Lions (2-5): Key stats: Green Bay's Brett Favre has thrown 16 touchdown passes, which ties him with Chicago's Erik Kramer for the most in the NFL. The Lions have committed 65 penalties for 469 yards — the most in the league by 9.

Browns (3-4) at Bengals (3-4): Key stats: Cincinnati quarterback Jeff Blake has thrown a touchdown pass in every game this season. Of Anthony Pleasant's 6.5 sacks for Cleveland, five have caused fumbles.

Comment: The Browns are coming off a strong performance against the Bills. The Panthers are susceptible to the run, and that will work in New England's favor. Patriots by 9.

Browns (3-4) at Bengals (3-4): Key stats: Cincinnati quarterback Jeff Blake has thrown a touchdown pass in every game this season. Of Anthony Pleasant's 6.5 sacks for Cleveland, five have caused fumbles.

Comment: Vinny Testaverde has been benched. It's Eric Zeier to the rescue for the Browns. Zeier will have few healthy targets because wide receivers Derrick Alexander, Michael Jackson and Keenan McCardell are limping. Browns by 2.

Jaguars (3-5) at Steelers (3-4): Key stats: The Jaguars lead the AFC with a 60 percent touchdown conversion in the red zone. The Steelers have a net difference of

returned four interceptions for touchdowns — the most in the NFL.

Comment: Elvis Grbac will start at quarterback again for the 49ers. Unless the Saints get pressure on him, he'll have a field day. 49ers by 14.

Seahawks (2-5) at Cardinals (2-5): Key stats: Cardinals quarterback Dave Krieg has thrown 11 interceptions, second only in the NFL to Seattle quarterback Rick Mirer, who has thrown 12.

Comment: Coach Craig Erickson has seen enough of Mirer. So, he'll throw journeyman John Friesz into the starting lineup to see if he can spark the offense. The Seahawks have given up 17 touchdown passes. Cardinals by 4.

Buccaneers (5-3) at Oilers (2-5): Key stats: In the last four games Tampa Bay is plus-14 in takeaways. Houston's Marion Butts leads the AFC with 85.7 percent of third down conversions.

Comment: The Oilers have lost four games by a total of 17 points. The Bucs will be the recipients of the Oilers largess this time. The teams are rated even.

Giants (2-5) at Redskins (3-5): Key stats: The Redskins are No. 5 in the league in scoring (189 points), but they are next to last in points allowed (193). On third down attempts, New York's Dave Brown has completed 49.1 percent of his passes for one touchdown and four interceptions.

Comment: The Giants are looking for their fourth straight win at RFK Stadium. They average just 16.4 points a game, and the Redskins average 23.6. Redskins by 3.

Bears (5-2) at Vikings (3-4): Key stats: The Bears have scored 30 or more points in three straight games. Robert Smith has fumbled just once in 228 carries and 46 receptions over his three-year career.

Comment: Erik Kramer is one of the hottest quarterbacks right now, having thrown 16 touchdown passes and tying the Packers' Brett Favre for the most in the league. Bears by 3½.

Matchups by Timothy W. Smith of The New York Times. Odds by Harrah's.

INTERNATIONAL CLASSIFIED

(Continued From Page 15)

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DAVE BARRY

Why We're All Getting Heavier

MIAMI — I am pleased to report that we finally have a scientific explanation for why everybody in the world is gaining weight. At least I am, and I know it's not my fault. Granted, I do not have the best dietary habits. Sometimes in a restaurant I will order fried, fatty foods ("Give me a plate of fried, fatty foods, and hurry") are my exact words). But I compensate for this by engaging in a strict exercise regimen of vigorously pounding the bottom of the ketchup bottle for as long as necessary.

You're going to be happy to learn that neither of us is responsible. The universe is responsible. We know this thanks to a scientific insight by alert 14-year-old Massachusetts reader Tim Wing. Tim was browsing through "The Usborne Book of Facts and Lists" when he came across the following fact: Every single day, TONS of space dust land on the Earth. This means that every day, the Earth weighs 25 tons more, which means that it contains a larger quantity of gravity, which as you know is the force made up of invisible rays that cause all physical objects in the universe to become more attracted to bathroom scales. What this means, Tim Wing points out, is that "without gaining an ounce, people all over the world are getting heavier."

And there is more bad news: At the same time that gravity is increasing, the entire universe is expanding, except for pants. Pants are staying the same size, which means that — and this has been confirmed by extensive scientific tests conducted in my closet — a standard "33-inch-waist" pant will barely contain a volume that formerly fit easily into a 31-inch-waist pant.

But our big problem is this gravity buildup, which has already started to pose a grave threat to public safety. I refer here to an incident that occurred in Fort Lauderdale, Florida, where, according to a Sept. 16 Miami Herald story that I am not making up, "A loggerhead turtle fell from the sky and hit a man in his white Chevy Nova."

The man was unhurt, and so was the turtle, which, according to the Herald story, apparently was dropped by a seagull. But that is exactly my point: Since when do seagulls — one of the most sure-handed species of bird — drop turtles? The obvious answer is: SINCE TURTLES STARTED GETTING HEAVIER.

And as space dust continues to land on Earth, the situation will only worsen, with chilling results. According to my calculations, at the current rate of gravity buildup, by the year 2038, an ordinary golf ball will weigh the equivalent of today's pounds, of Rush Limbaugh. Even a professional golfer, using graphite clubs, would need dozens of strokes to make such a ball move a single foot. An average round of golf would take four months — nearly TWICE as long as today.

Is that the kind of world we want our children to grow up and develop gum disease in? I think not. Fortunately, I have come up with a practical answer in the form of a... GRAVITY REDUCTION PLAN.

The problem is that 25 tons of stuff is landing on the Earth every day, right? So the obvious solution is to put 25 tons worth of stuff into a rocket every day and blast it into space.

Perhaps you're saying: "But, Dave, how are we going to find 25 tons worth of stuff every single day that is so totally useless that we can just send it into space with total confidence that it could never possibly in any way benefit humanity?"

I can answer that question in three simple words: "fourth-class mail." Every day AT LEAST 25 tons of material is painstakingly mailed all over the United States and thrown away immediately upon receipt. Solid-waste experts estimate that 78 percent of the nation's landfill capacity is currently occupied by sincere unopened letters from Ed McMahon informing people that they have almost definitely won \$14 million. Why not just load this material directly into rockets? And consider this: If we send up MORE than 25 tons a day, the Earth would actually LOSE gravity. I calculate that every human being on the planet would instantly be six ounces lighter if we also sent Ed up there, not that I am necessarily proposing this.

So I say let's fire up the rockets and get this program going before gravity gets so strong that all we can do is lie on the ground, helpless, while turtles rain down upon us.

If you agree, write your senators and congresspersons today. Stress the urgency of the situation. Stress their responsibility as public officials. Above all, stress that there's room in the rocket with Ed.

Knight-Ridder Newspapers.

George Cukor, a charming but not deeply spiritual film director, and why Scott Joplin instead of someone who speaks German?

"My suspicion — and I've thought about this a lot — is I think they're assembling an entertainment type of group spirit-side, a group in charge of arts and entertainment because that's where especially the American mindset is and a lot of people are more inclined towards arts and entertainment than they are towards science," Macy said. "They seem to be drawing a lot of people together on the other side for that reason."

Among celeb spirits, the producer Hal Roach has appeared, and there is hope that Michael Landon, TV star of "Little House on the Prairie" might look in. "A psychic in our group was in telepathic communication with him. He was very interested in this project but it just hasn't manifested over instruments yet. It probably will."

Sometimes the spirits have specific messages to give.

Macy says, "but most of the contacts have been to keep what he calls the energy bridge open so that the spirits can report on what it's like to live on the other side."

The life described by spirit spokespersons sounds pretty

heavenly. Everyone enjoys excellent health and is forever between 25 and 30 years old. There are concert halls and museums set in stunning landscapes twinkling with rare butterflies. People live in comfortably furnished homes and eat and drink all they wish. They freely enjoy sex and no one gets pregnant. The climate is always mild.

Believers in instrumental transcommunication consider their case proved, but of course they are not the only ones moving into the field. Last year, newspapers reported that the image of the late Erich Honecker appeared on German computer screens with the alarming message, "I'll be back," but this, say Macy, sounds like a hacker's hoax. And a lecturer at Newcastle University in England has created a Virtual Memorial Garden to replace old fashioned cemeteries, opening new fields to eager entrepreneurs.

One thing serious ITC researchers needn't worry about is computer billionaires trying to spin an extra profit from spirit software. "All the technology for advanced ITC contacts is being assembled on the other side of the veil, not here on earth," Macy firmly states. Eat your heart out, Bill Gates!

Spirits On-Line in Time for Halloween

International Herald Tribune

PARIS — After slow centuries of oracles, crystal balls and table tapping, spirits have gone on-line, giving a new dimension to cyberspace. The computer world has stretched to the great beyond.

Spirit images typically appear on the screen when the computer is plugged into a wall outlet but not in use. Sometimes people come home and find a new file has been created on their disk, according to Mark Macy of the International Network for Instrumental Commu-

MARY BLUME

nication. The phenomenon began in 1986, when Maggie and Jules Harsch-Fischbach of Luxembourg — she is a schoolteacher, he a civil servant — received their first paranormal video image and founded the Cercle d'Etudes sur la Transcommunication, a research group which also supports human and animal rights, a balanced ecology, and the European Community.

Maggie Harsch-Fischbach remains the spirits' chief addressee — she even got a cure from beyond for a stubborn intestinal disorder — but the movement has spread as far as Brazil. Computer skills are not enough: a certain degree of spirituality has to be reached for contact to be made.

Speaking from his home in Colorado, Macy said he has made telephone and radio contact with the deceased but has not yet received an image on his screen. "I haven't got as comfortable with it as I know I will," he said.

"Maggie is really the expert at this. She had a talk with Scott Joplin at one time, the tape is just phenomenal."

The ragtime composer, who died in 1917, was sending a telephone message from a German named Otto Schwickerath to his widow, Hilde, who was at Harsch-Fischbach's side.

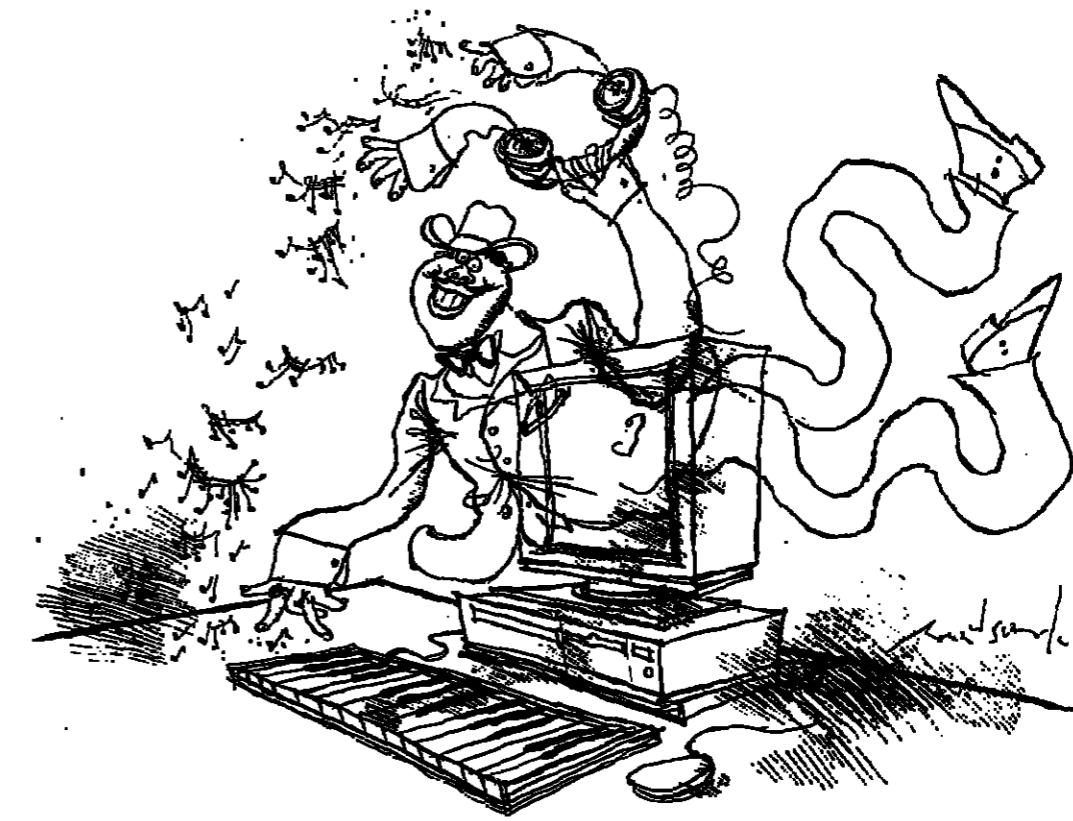
"Maggie and Hilde speak very little English so they had a difficult time understanding him and he was getting more and more frustrated," Macy said. "Maggie calms him down so he doesn't get so frustrated that the contact breaks down. The barking of the Schwickeraths' late dog, Cookie, needing no translation, came through loud and clear."

Others who have manifested via instrumental transcommunication — ITC for short — include Pierre and Marie Curie, Konrad Lorenz and, in a joint image, Thomas Edison and George Cukor. The explorer Richard Burton offered a travelogue of a spirit-side trek along the River of Eternity. Alexander Graham Bell

"Julie Verne at first wasn't reachable or interested," Macy says, "but somehow they coaxed him to participate. What makes them change their minds I don't know."

The fact that next week is Halloween will not increase contacts, Macy says. "Restless spirits, ghosts, goblins — the people we're working with are way beyond that; they're very stable and mature."

Undoubtedly they are, but still a very mixed bag. Why



Donald Bruck

POSTCARD

N.Y. Hotel Trades Designer Image for Softer Look

By Timothy Jack Ward
New York Times Service

NEW YORK — Could it be true? Could it be that Morgans Hotel, the harbinger of Eurostyle in New York, the prototype "designer hotel" when it opened in 1984, had become tired? Or, as its French designer, Andre Putman, put it, "usé jusqu'à la corde" or threadbare?

Eleven years, one recession and one return to Comfort later, it was all too true. Wear and tear aside, all that black and white and gray was no longer cool, just cold. And so last spring the hotel's owner, Ian Schrager, asked Putman to return to the project that first propelled her to international fame.

Once a monument to designer excess, Morgans, at 237 Madison Avenue, has

gone soft, warm, vanilla. Well, more coffee latte, really. If in the early '80s Morgans was a top-heavy power suit, the new-and-improved Morgans is a slouchy pair of corduroys.

Throughout the hotel, the palette has softened from cool, silvery tones with black-and-white-check accents, to a warmer, subtler mix that ranges from sandy to sandier. "These days, the less you see, the better you feel," Putman said.

The new lobby sets the tone. The sleek but uncomfortable designer-statement armchairs have been replaced by flea market treasures. There are pairs of weathered caramel-colored leather club chairs that are inviting and familiar. A 19th-century mahogany, teak and rattan planter's chair sprawls by the front door.

Styles of decorating change just as styles

of living do. Putman, too, has changed. "My passion now is to change life a little bit, to improve daily life," she said on a recent visit to New York to supervise the finishing touches of the \$1.3 million renovation. "I believe design is redemptive. The new goal is to create things that last."

Her list of design dislikes remains the same: "Too much Louis someone, too big flowers, too much the desire to intimidate. And I do resent the obligation of using lavish materials, pretending to be Ver-sailles."

Putman seems equally disdainful of those who are obsessed with newness and acquisition. "For all the threatening advertising, and wanting so desperately to be in, suddenly people are realizing that buying things doesn't save" in the redemptive sense, she said.

WEATHER

Europe

Forecast for Sunday through Tuesday, as provided by Accu-Weather.



North America

The Northeast will be blustery and cool Sunday then milder dry Monday and Tuesday. Chicago and Toronto will be dry Sunday, then wet weather afterwards. Showers will move into Italy, while chilly air spreads southward from Scandinavia to Germany and Poland.

Asia

Tropical Storm Zack and Angels will pass over or over the Philippines. One storm will move to Japan by Monday while the other spreads rain from Bangkok to Seoul. Heavy northern winds will blow across the storm. Hong Kong and Singapore will have some showers.

Middle East

Unusually cold Monday and Tuesday. Venice will be dry Sunday, then wet weather afterwards. Showers will move into Italy, while cold air spreads southward from Scandinavia to Germany and Poland.

Africa

Unusually cold Monday and Tuesday. Algiers will be dry Sunday, then wet weather afterwards. Showers will move into Italy, while cold air spreads southward from Scandinavia to Germany and Poland.

Oceania

Legends: 8 sunny, 8 partly cloudy, 8 cloudy, 8 showers, 8 thunderstorms, 8 rain, 8 snow, 8 fog. All major forecasts and data provided by Accu-Weather, Inc. © 1995

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PEOPLE

THE actor Alec Baldwin was arrested for punching a photographer who tried to take pictures of him and his actress wife, Kim Basinger, as they arrived home with their newborn daughter. The police said Baldwin, 37, was booked on one count of misdemeanor battery and released on his own recognizance after the incident outside the couple's mansion in Los Angeles. Baldwin allegedly struck Alan Zanger, 51, a freelance photographer, as he waited to take pictures of Baldwin and Basinger.

The photographer complained that his nose was broken. In a statement, Baldwin said he had repeatedly asked Zanger to leave his family alone. "I dispute his contention that I broke his nose or caused any facial damage." But Baldwin said he was "sorry for any problems caused." Zanger told the police that Baldwin jumped out of the family car and hit him with a closed fist, according to television news reports.



Alec Baldwin, center, surrounded by police outside his Los Angeles home.

one of those pieces that you keep wanting to find a way to do, so the idea of reopening the theater with it came to me as a kind of perfect closure," Davidson said.

It's not always a good idea to go against the grain of Swiss tradition as Edgar Spaeni has learned to his chagrin. His neighbors in Illgau, Switzerland, saw red when in a burst of uncommon individualism he painted his house purple. The building permit he had received by local officials three years ago had clearly specified that the wood facade be painted the "usual colors." So now a local judge has ordered Spaeni to repaint his house a more sober color.

The director Gordon Davidson will stage "Candide" at the Los Angeles Music Center's newly renovated Ahmanson Theater. "Candide," inspired by Voltaire's satirical work, has music by Leonard Bernstein, who worked with Davidson on a 1966 Los Angeles version that restored three songs dropped on Broadway. "It's

directors. "Madalyn is just fine," Ellen Johnson says. "This has nothing to do with her health." Johnson blamed the rumors on a bitter former employee of their group. O'Hair, she says, had been on a two-month business trip with her family.

For her 48th birthday, Hillary Clinton got a surprise party in the Rose Garden. About 200 White House staffers turned out as well as Tipper Gore, the vice president's wife, and of course, hubby Bill. The president said he had given Hillary four gifts, including a whistle in the shape of a woman holding the globe, and three cards, perhaps doled out through the long afternoon they spent together.

Taking a cue from retired general Colin Powell, Bianca Jagger merely smiled and said "We'll see" when asked at a charity event if she would seek the presidency of Nicaragua. On C-SPAN, however, she later talked about perhaps becoming a U.S. citizen one day.

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